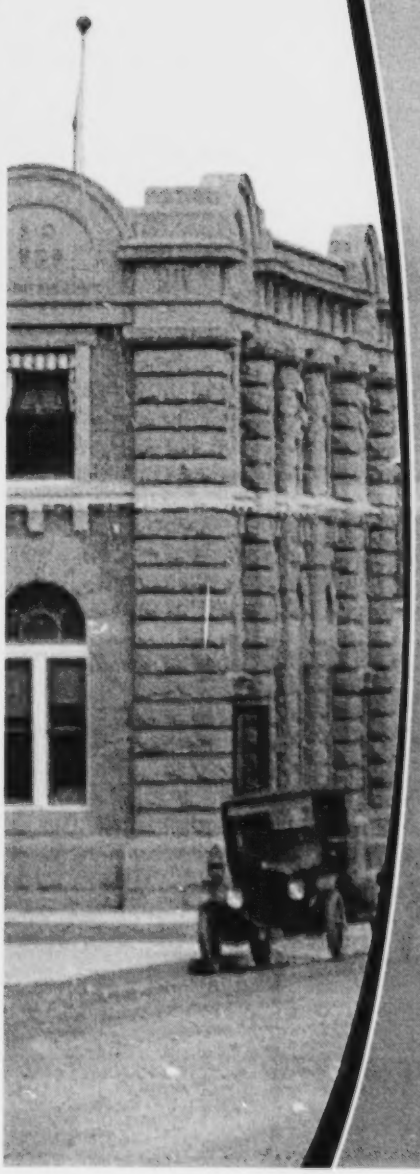


Medicine Hat
The Gas City

100

Years Incorporated

1906 - 2006

annual report

City of Medicine Hat
December 31, 2006
Medicine Hat, Alberta, Canada

The Beginning...

Medicine Hat owes its origins in large part to the Canadian Pacific Railway. The CPR went through the southern part of the Northwest Territories in 1882. A small tent town developed around the present site of Medicine Hat as people gathered to await the arrival of railway construction in the spring. On June 10, 1883 the first train steamed through, and soon brought lumber for wooden houses to replace the tents. The community grew quickly, incorporating as a town in 1899 and a city in 1906.

our vision

Council's vision for the City of Medicine Hat is a vibrant city with residents, businesses and visitors seeking to make Medicine Hat their "community of choice."

our mission

In pursuit of our vision, the City of Medicine Hat is committed to a mission of striving to exceed expectations of our residents, businesses and visitors.

We will achieve this by:

- Providing strong and effective leadership.
- Working together with a unified purpose.

our values

We are committed to the following core values, which we believe enable us to achieve our vision:

- Innovation, creativity and diversity
- Openness, debate and participation
- Performance results
- Being proactive
- Balanced and responsible development
- A long-term perspective
- Well-being of residents and employees
- Principle of self-determination for our community
- Continuous learning and staff development

December 31, 2006 City of Medicine Hat, Alberta, Canada | Prepared by the City of Medicine Hat Finance and Corporate Communications departments.
Cover Photo: Courtesy of Esplanade Arts and Heritage Centre Archives, Second Street, ca. 1910

Table of Contents

Introductory

1 Over the Years
2 Who We Are
3 About Us

4 Corporate Governance
5 Mayor's Report
6 City Council
7 Committees, Commissions and Boards
8 Strategic Planning
9 Council's Policy Objectives/Priorities
11 CAO's Report
12 Board of Commissioners | Organizational Chart
13 Administrative Framework

14 Measures of Success
16 Financial
18 Residents/Customers
21 Internal Business Processes
23 Organizational Learning and Growth

25 Treasurer's Report
26 Introduction
26 GFOA Award
27 Risk Management
28 Management Reporting and Control
29 Financial Statement Discussion and Analysis

Audited Financial Statements

35 Management's Report
35 Auditors' Report
36 Consolidated Statement of Financial Position
37 Consolidated Statement of Financial Activities
38 Consolidated Statement of Changes in Financial Position
39 Consolidated Capital Fund
40 Consolidated Operating Fund
41 Consolidated Reserve Fund
42 Consolidated Schedule of Equity in Capital Assets
43 Consolidated Taxes Levied
44 Consolidated Government Transfers
44 Consolidated Expenditures by Object
45 Notes to Consolidated Financial Statements

Financial and Statistical Schedules (Unaudited)

63 Consolidated Statement of Financial Activities
64 Consolidated Expenditure by Object
64 Consolidated Schedule of Capital Financing and Expenditures
65 Long-Term Debt
66 Summary of Operating and Reserve Fund Balances
67 Taxation and Assessment
68 Schedule of Operating Revenue and Expenditures by Department
88 Schedules of Capital Financing and Expenditures by Department
99 Demographics and Other Information
100 Financial Comparison 1999 - 2006
102 Financial Synopsis

Medicine Hat, The Gas City

Natural gas has been an integral part of Medicine Hat's development. When a Canadian Pacific Railway crew was drilling for water in 1883 and accidentally struck gas, little did anyone know it was one of the largest, low pressure, sweet natural gas fields in the world with an estimated one trillion cubic feet of natural gas.

The first gas lights were installed on standards on the railway station platform and on street corners in the central part of town in 1894. The fact they burn 24 hours a day prompted Ripley's Believe It or Not to feature Medicine Hat's gas lights.

In 1901, the City of Medicine Hat began to develop its own gas business and in 1902 gas was turned on for City service. Today, the City's Gas Utility remains a publicly-owned business. It provides natural gas to customers at stable rates below the provincial average.

Historical photos from Esplanade Archives.

Over the Years

1907

Rudyard Kipling, famed English poet, visits and coins Medicine Hat "The city that was born lucky" even though it had "all Hell for a basement," referring to the vast reserves of natural gas beneath it. Medicine Hat has since earned many other names: "The City With Energy", "An Oasis on the Prairie" and currently "The Gas City."

1911

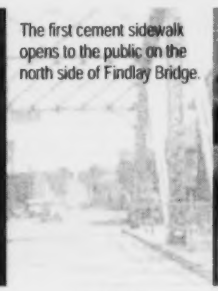
Electric Plant starts operations on August 22.

In 1989 Medicine Hat went ahead with the first of two phases of a $30 million power plant.

1922

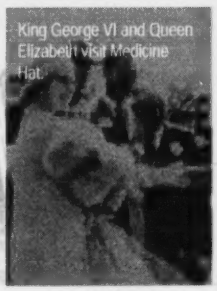
On May 23 a Toronto Globe correspondent claims Medicine Hat is catching "Oil Fever." Two companies are vying for drilling rights and geologists are claiming we haven't even scratched the surface; the future of Medicine Hat looks bright.

1924



The first cement sidewalk opens to the public on the north side of Findlay Bridge.

1939



King George VI and Queen Elizabeth visit Medicine Hat.

1943

A German Prisoner of War camp opens at a cost of $2 million. During the Second World War, Medicine Hat had one of the largest POW camps in Canada. It closed July 1946.

Who We Are

Medicine Hat is a thriving community of more than 56,000 people. Residents continue to benefit from more than 100 years of public ownership of natural gas and electric utilities. The city offers a wealth of amenities and facilities, among the lowest tax rates in Canada and utility rates in Alberta, friendly people, safe streets, and an enviable climate.

The Medicine Hat Advantage - **UNIQUE!**

What's In a Name

Medicine Hat [**med**-*uh-sin hat*]

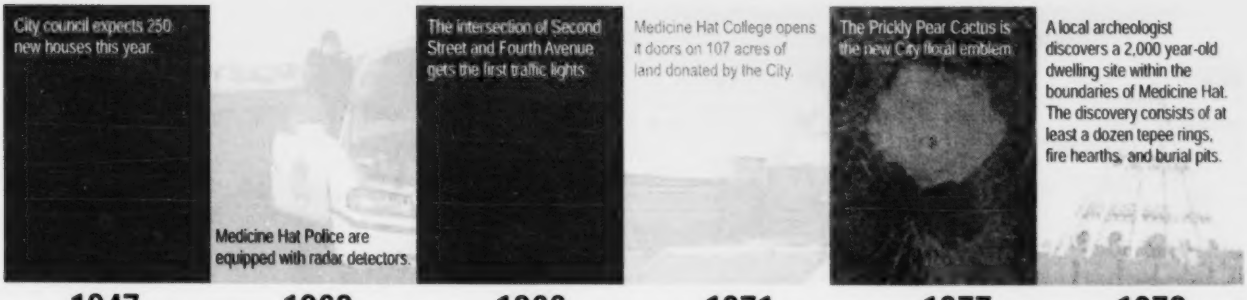
Many colourful Canadian cities have inherited their names from First Nations' words and legends and Medicine Hat is no exception.

Medicine Hat inherited its name from the native word "Saamis" which means medicine man's hat. The following legend tells the story of how this city was named. The legend tells of a winter of great famine and hardship for the Blackfoot nation. The elders of the Council chose a young man to save his tribe from starvation. Setting out with his new wife and favourite wolf dog, he journeyed down the ice-bound South Saskatchewan River. After many arduous days they made their way to the "breathing hole", an opening in the ice and a sacred place to the First Nations' people: a place where the water spirits came to breathe.

They made camp and summoned the spirits to appear. A giant serpent rose from the misty waters and demanded the sacrifice of the woman in exchange for a "Saamis" or "holy bonnet" which would endow the owner with special powers and great hunting prowess. The young man tried to trick the serpent by throwing the body of his dog into the river but the serpent was not fooled, and finally reluctantly, the woman was thrown into the frigid waters.

The man was told to spend the night and "in the morning when the sun lights the cut-banks, go to the base of the great cliffs and there you will find your Medicine Hat." And so aided by the magic of his Saamis, the young hunter located the much needed game, saved his people, and eventually became a great Medicine Man.

In 1882, when the Royal Northwest Mounted Police and the CPR road builders settled the area, the name Saamis was translated to Medicine Hat.


City council expects 250 new houses this year.
1947
Medicine Hat Police are equipped with radar detectors.
1962
The intersection of Second Street and Fourth Avenue gets the first traffic lights.
1966
Medicine Hat College opens it doors on 107 acres of land donated by the City.
1971
The Prickly Pear Cactus is the new City floral emblem.
1977
A local archeologist discovers a 2,000 year-old dwelling site within the boundaries of Medicine Hat. The discovery consists of at least a dozen tepee rings, fire hearths, and burial pits.
1978

About Us

Our Community

- We are Canada's sunniest city, receiving more than 2,500 hours of sunshine annually.
- We are a clean community and people feel safe. Medicine Hat has the lowest crime rate per capita in Alberta.
- We offer superior recreational facilities, more than 90 kilometres of hiking/biking trails and 250 hectares of parks. There are six first-class golf courses, three indoor and four outdoor pools, six indoor ice arenas, indoor and outdoor waterslides, soccer fields, baseball diamonds, tennis courts, skateboard park, Echo Dale Regional Park, and a BMX track. If you enjoy ice, water or sun, there's a sport for every season.
- We are active in arts and culture. Medicine Hat is home to the Esplanade, a world-class arts, heritage and performing arts centre.
- We are a city where people want to raise families.

Our People

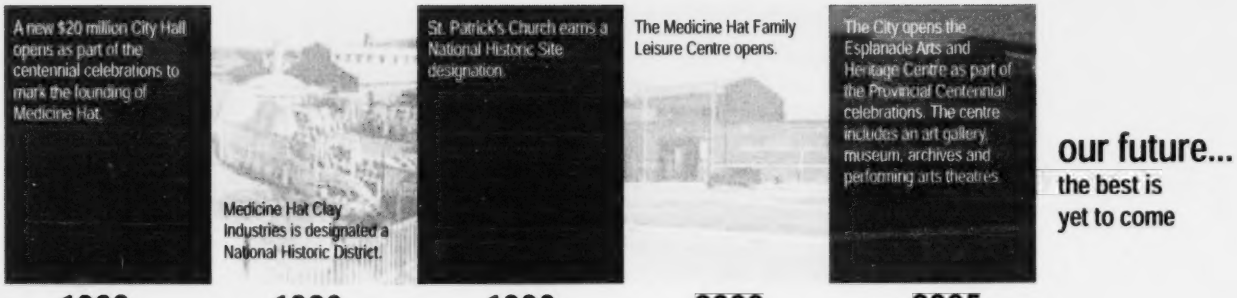
- We have talented and dedicated people. Companies say the work ethic of Medicine Hatters is one of the key reasons they are here.
- We care. There are more than 650 people who volunteer through our Senior Services to make Medicine Hat a better place.

Our Natural Resources

- We are blessed with natural gas, the South Saskatchewan River, and more sunshine than anywhere else in Canada. Couple that with our industrious people and you get:
  - Among the lowest utility rates for gas and electric in Alberta.
  - Clean, safe drinking water.
  - A flourishing greenhouse industry.
  - A great climate for outdoor activities.
  - Exploration of alternative energy sources like wind power, solar heating, and a water aquifer to heat and cool homes.

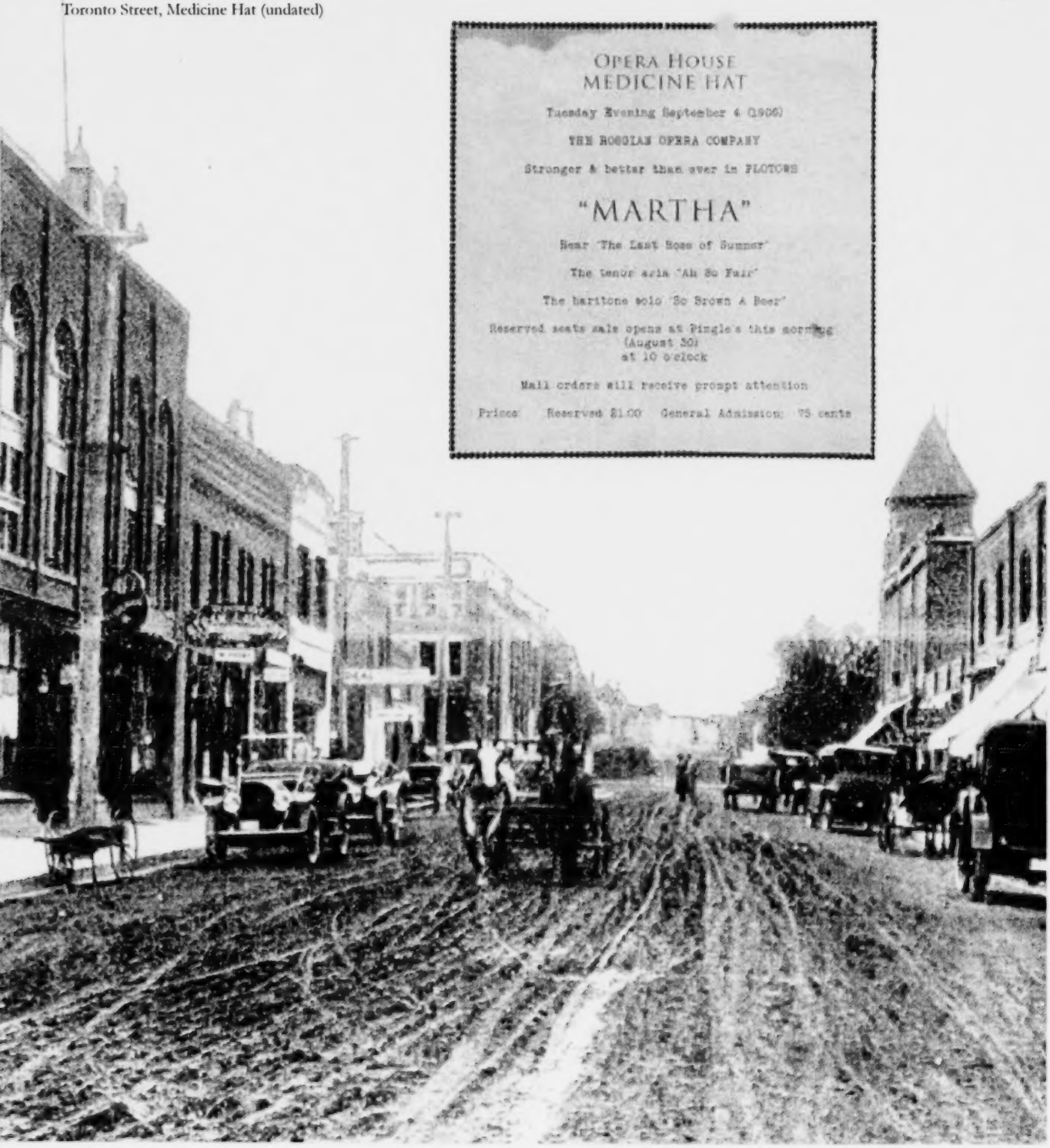
Our Location

- We are close to the Rocky Mountains - a recreation area among the best in the world, and Cypress Hills Interprovincial Park - the highest point in Canada between Labrador and the Rocky Mountains.
- We are close to world-class health facilities in Calgary.
- We are close to commercial centres and markets for our products.
- Yet we are far enough away that Medicine Hat is not a bedroom community, so our business and service sector is strong.


A new $20 million City Hall opens as part of the centennial celebrations to mark the founding of Medicine Hat.
Medicine Hat Clay Industries is designated a National Historic District.
St. Patrick's Church earns a National Historic Site designation.
The Medicine Hat Family Leisure Centre opens.
The City opens the Esplanade Arts and Heritage Centre as part of the Provincial Centennial celebrations. The centre includes an art gallery, museum, archives and performing arts theatres.
our future...
the best is yet to come
1983
1986
1996
2000
2005

Corporate Governance

Toronto Street, Medicine Hat (undated)


OPERA HOUSE
MEDICINE HAT
Tuesday Evening September 4 (1906)
THE RUSSIAN OPERA COMPANY
Stronger & better than ever in PLOTONS
"MARTHA"
Hear 'The Last Rose of Summer'
The tenor aria 'Ah So Fair'
The baritone solo 'So Brown A Beer'
Reserved seats sale opens at Pingle's this morning
(August 30)
at 10 o'clock
Mail orders will receive prompt attention
Prices Reserved $1.00 General Admission 75 cents

Mayor's Report

Medicine Hat is a blessed community. For more than 100 years we have enjoyed an enviable quality of life because of the entrepreneurial spirit of those who came before us.

Huge quantities of shallow natural gas had been found at the turn of the 20th century, making Medicine Hat an ideal location for woolen, grist and planing mills. The City-owned gas was available to every house for fuel and light. The prospects for Medicine Hat's future were bright as it was attracting attention all over Canada and the United States as the future industrial hub of the "Last West."

One ad in 1906 proclaimed "There will be more progress in Medicine Hat during the next three years than during the past 22. In growing Western Canada it would be impossible to keep a city down with the natural advantages possessed by Medicine Hat. Natural gas, coal, oil, railways, locations, climate, small tax rate, bonds selling at long premiums, and a city with revenue producing assets of greater value than the city debt. The city must grow. You can't keep a good thing down."

That statement is as true today as it was 100 years ago. Medicine Hat is experiencing tremendous progress and growth. Residents and business owners receive considerable financial and social advantages from our ownership of natural gas and oil, including subsidized property taxes and facilities like the Family Leisure Centre and Esplanade Arts and Heritage Centre. We are officially Canada's Sunniest City with more hours of sunshine than any other city in Canada.

Since Medicine Hat's incorporation in 1906, City leaders continue to strive to create a vision of Medicine Hat as the economic centre of the west. We continue to focus our attention on those services we feel will ensure that Medicine Hat remains a community of choice for the next 100 years:

1. Alternative Energy - We must explore alternative energy forms, such as solar, wind and thermal aquifer, at full cost recovery.
2. Smart Growth – We need to build compact, well-designed, mixed-use neighbourhoods, encourage growth in existing residential communities while fostering unique neighbourhood identities, and support transportation options and infrastructure systems that are sustainable.
3. Water Strategy – We must ensure a safe, secure drinking water supply, healthy aquatic ecosystems, and reliable, quality water supplies for a sustainable economy.
4. Environmental Focus – We know the environment is top of mind for residents so we sought input from the community to establish your environmental priorities. Now Administration is working on strategies to fulfill your priorities.
5. Waste – We believe there are other waste diversion alternatives that need to be considered.
6. Quality of Life Indicators – We need to continue to measure progress towards our vision. Quality of Life Indicators provide a framework to measure and benchmark Medicine Hat's progress as a community from year to year and to provide information for future community planning.

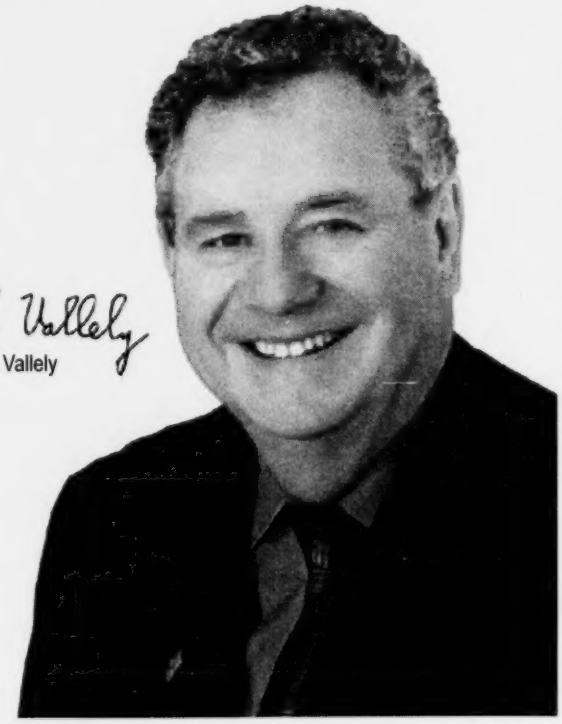
We are working with Havre, Montana to create a 24-hour border crossing at Wild Horse, Montana. Alberta is a hub of economic activity and the Wild Horse border crossing is a key transportation route to the United States. We are also continuing to encourage the Alberta government to twin Highway 3 from Medicine Hat to Taber, another key economic route for exporting into other areas of the United States and Canada.

The feedback from residents indicates we are on the right track to keep Medicine Hat thriving and growing as an economic, social and environmentally conscious community. Ninety-four per cent of Medicine Hat residents rate our quality of life as positive. Eighty-seven per cent were very or somewhat satisfied with the services the City of Medicine Hat offers. The top three issues or services Hatters consider important are city size, low utility costs and climate.

With Council focused on the future direction for the city and Administration focused on delivering our core services, Medicine Hat will continue to thrive as a "Community of Choice" for another 100 years.

Garth Vallely

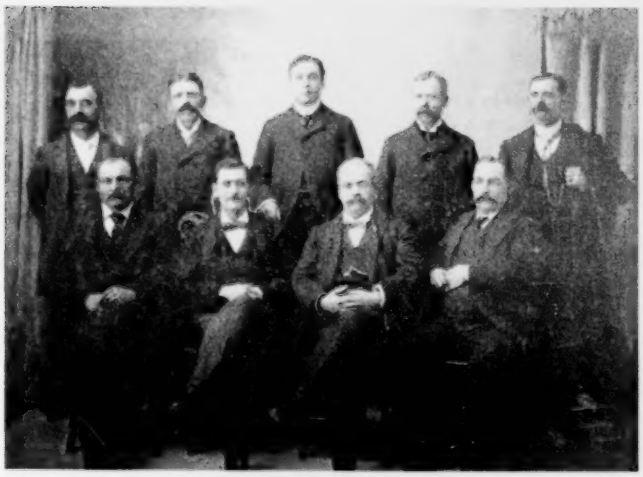
Mayor Garth Vallely



City Council

(L to R) Back Row: Alderman Harv Speers, Alderman John Hamill, Mayor Garth Vallely, Alderman Graham Kelly, Alderman Bill Cocks. Front Row: Alderman Julie Friesen, Alderman Darren Hirsch, Alderman Robert Dumanowski, Alderman Cathy Smith.

City Council consists of a Mayor and eight Aldermen. Council is responsible for developing and evaluating the policies and programs of the municipality and delegating the responsibility for carrying out those policies to Administration. The public is encouraged to attend Council meetings, which are held on the first and third Mondays of each month at City Hall.



Group portrait of the first Mayor and Council (1898): Standing L to R: T.C. Blatchford, W.N. Adsit, A.C. Hawthorne, R. Marwick, J.H. Spencer. Seated: T. Penhale, **W.B. Marshall (Mayor)**, G.Noble, H.C. Yuill.

1906

City status for Medicine Hat is granted on May 9 with a City Charter from the Alberta Legislature. The first Mayor of the City of Medicine Hat was W.B Marshall elected in 1898.

Committees, Commissions and Boards

Standing Committees
Corporate Services Committee
Alderman Graham Kelly, Chair

Development and Infrastructure Committee
Alderman John Hamill, Chair

Public Services Committee
Alderman Julie Friesen, Chair

Energy Committee
Alderman Robert Dumanowski, Chair

Audit Committee
Alderman Bill Cocks, Chair

Administrative Committees
Administrative and Legislative Review Committee
Alderman Cathy Smith, Chair

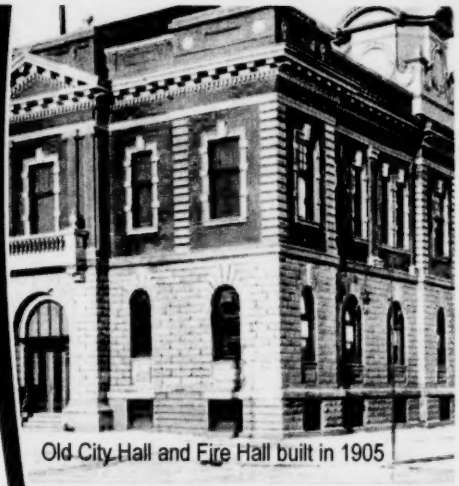
Board of Commissioners
Chief Administrative Officer Gerry Labas, Chair

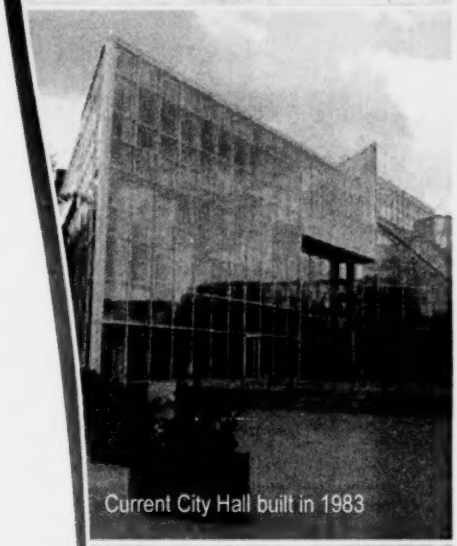
Ad Hoc Arena Feasibility Committee
Alderman Graham Kelly, Chair

City Centre Ad Hoc Committee
Alderman Darren Hirsch, Chair

Advisory Boards and Commissions
Urban Environment and Recreation Advisory Board
Municipal Planning Commission
Subdivision and Development Appeal Board
Police Commission
Arts and Heritage Advisory Board
Social Development Advisory Board
Assessment Review Board

Other Organizations With Council Representation
Medicine Hat Exhibition and Stampede
Medicine Hat Community Housing Agency
Cypress View Foundation
Shortgrass Library System
Tourism Medicine Hat Committee
Medicine Hat Public Library
Canadian Badlands
Economic Development Alliance of Southeast Alberta
City Centre Development Agency
Friends of Medalta Society
Palliser Economic Partnership


Old City Hall and Fire Hall built in 1905

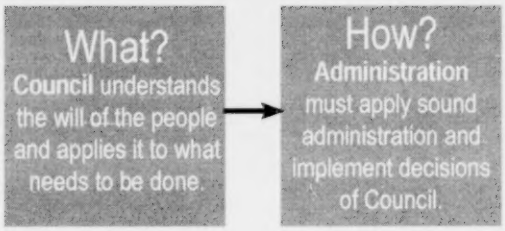

Current City Hall built in 1983

A Growing City: Population Through the Years

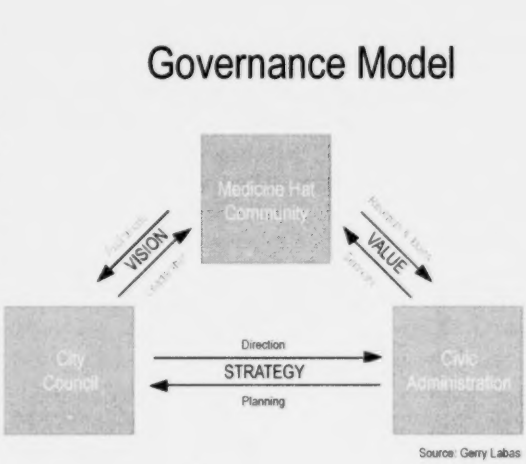
1901	**1,570**
1911	**5,606**
1921	**9,634**
1931	**10,300**
1941	**10,571**
1951	**16,364**
1961	**24,015**
1970	**26,228**
1981	**40,380**
1991	**43,625**
2001	**51,249**
2006	**56,997**

Strategic Planning

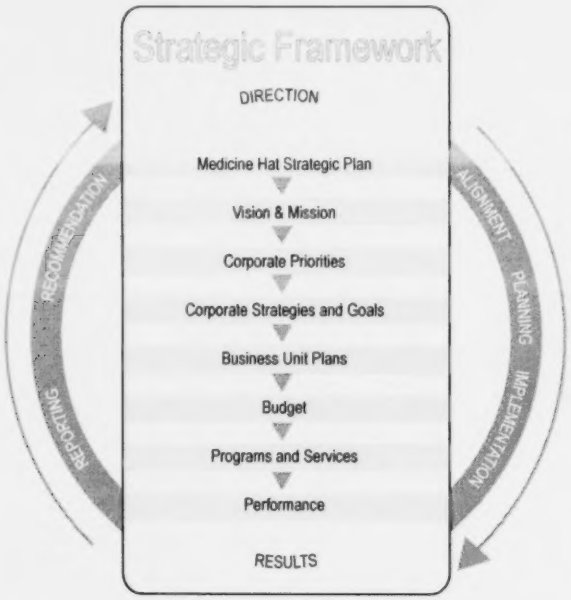
The City of Medicine Hat uses a Systems Thinking approach to strategic planning. The organization focuses on "where we want to go and how we are going to get there." Council devotes more time on developing and evaluating the policies of the municipality (the WHAT) and, where appropriate, less time on allocating resources and business processes. By stating "what" we want to be, Council provides Administration with a framework to implement the decisions of Council (the HOW).


What?
Council understands the will of the people and applies it to what needs to be done.
How?
Administration must apply sound administration and implement decisions of Council.

The City of Medicine Hat Strategic Plan supports the City's vision, mission, and direction by outlining corporate priorities, strategies, goals, and measures of success over the planning period. The Strategic Plan guides the individual business units in the organization to develop strategies, goals, and measures of success that are consistent with the corporate direction. The Strategic Plan also helps the organization in the preparation of the annual budget. The Strategic Plan is monitored and updated on a yearly basis by Council and Senior Management. It is expected that Business Plans and department budgets will be updated every three years to form the basis for the City budget. Throughout the year, quarterly reports are produced that report on the progress of this planning cycle. In addition, the City produces an Annual Report which reports on the outcomes of the planning cycle.



Source: Gerry Labas



Our strategic planning process ensures that:

- Strategies and goals are aligned with community and Council needs.
- An accountability framework exists to monitor and report to the community on progress in achieving the strategies and goals of the Strategic Plan.
- Clear linkages exist from the Strategic Plan to all other Business Plans, budgets, and policies, and day-to-day operations.
- Roles and responsibilities are clear and understood.
- A culture of learning and improvement is embraced.

Council's Policy Objectives and Priorities 2005-2008

Fiscal Responsibility - *Maintaining a Strong Financial Position*

Council strives to ensure that services provided by the City of Medicine Hat are affordable and well-managed. Strategies in this regard work toward attractive taxation, utility rates and user fees, balanced with the need to maintain a growing infrastructure and ongoing service quality.

Sustainable Utilities - *Managing the Investment*

Medicine Hat's enviable cost of living continues to be supported through the ownership and careful management of its stand-alone enterprises. These include Gas, Electric, Water, Sewer, and Solid Waste Utilities, plus the Land and Properties department. By pursuing strategies that promote sustainable growth, ensuring appropriate infrastructure maintenance and replacement, and seeking out alternative revenue options, Council can continue to offer attractive utility rates and use sales proceeds to generate annual dividends to offset the requirements for property taxes.

> *Alternative Energy: explore alternative energy forms at full cost recovery.*

Sound Infrastructure - *Planning for Tomorrow*

Sound infrastructure not only supports the quality of life for the residents of Medicine Hat, but is a significant contributor to the economy as well. Through wise expenditure of public funds on maintenance and replacement initiatives, as well as strategic investment in new infrastructure, City Council strives to provide a strong base from which the community can thrive and grow. An appropriate balance among transportation systems, pedestrian corridors, buildings, facilities, and amenities is continually sought.

> *Smart Growth: consideration for sustainability in all growth initiatives.*

Economic Development - *Balancing Our Approach to Economic Growth*

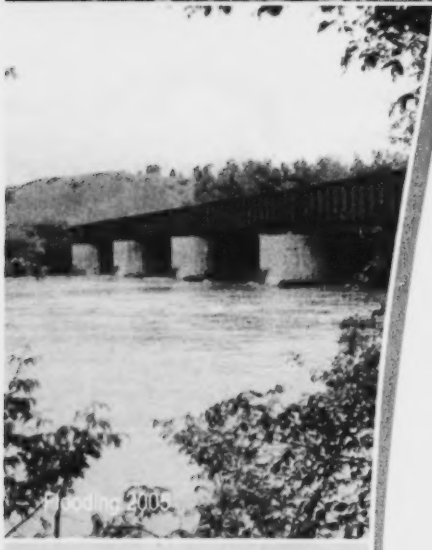
Council continues a strong commitment to economic vitality. As municipal government creates the business environment and the infrastructure necessary for prosperity, Council's strategies centre around eliminating barriers and creating a balanced approach for economic opportunities and sustained growth. This approach includes offering the highest quality environment, services, and amenities necessary to attract new business investment, as well as supporting the retention and expansion of existing local businesses.

Duggan House 1906

Duggan House 2006

Ewart Duggan House

The Ewart Duggan House is the oldest brick house in Alberta. It was built in 1887 by pioneer businessman John Ewart and is located on First Avenue next to the new Esplanade Arts and Heritage Centre. The home was donated to the City by I-XL Industries Ltd., through the Sissons family.



Flooding

In the early years, Medicine Hat's Flats areas were flooded almost every spring from the South Saskatchewan River and Seven Persons and Ross Creeks. In 1951, one of the worst blizzards in Alberta and Saskatchewan turned to flood in Southern Alberta. States of emergency were declared in 1995 and 2005 as the South Saskatchewan River rose and breached its banks. Today the City uses computer software to predict potential flood areas to respond and protect the low lying areas of the community.

Communications and Community Relations - *Dedicating Our Efforts to a Progressive Council and an Informed Community*

Medicine Hat residents are interested in the actions taken by their municipal government to serve the community. They also expect to be informed on emerging issues and critical Council decisions. Regular communication is required and access to relevant information is necessary. City Council recognizes the significant roles it plays in keeping the community informed, and wants to ensure that it performs its communications role to a high standard. In support of Council, the Administration is required to provide accurate information to the community and to be accessible in answering public inquiries and concerns. A high level of customer service is expected in the areas selected by Council.

Environmental Stewardship - *Focusing Our Knowledge and Awareness*

The city's natural environment represents a substantial asset that few prairie cities enjoy. The abundance of trees, clean air, the city's scenic river valley and its sparkling waters serve as a natural oasis in the prairie landscape. Council recognizes the key strategic, economic, and social value of a healthy environment. Maintaining the quality of our natural environment represents a community obligation. Council wants its municipal government to be a steward and a leader of responsible environmental decisions and actions in support of this obligation. Collectively, the Administration holds a broad understanding of environmental issues. However, to be a more effective resource to the community, Administration needs to be more focused in its approach to environmental management. Furthermore, Council needs to be more aware of environmental concerns in order to provide leadership.

Water Strategy: upstream quality and City of Medicine Hat quantity intake.

Environmental Focus: establish community targets / strategy.

Waste: identify waste diversion alternatives.

Community Development - *Attending to the Well-being of Our Residents*

Council is dedicated to a balanced approach for developing and enhancing the overall well-being of our community. It is Council's desire to ensure that residents of this community can continue to feel safe and have their property protected, enjoy a clean environment and attractive open spaces, participate in a diverse blend of cultural, recreational, and leisure activities, avail themselves of organized and accessible modes of transportation, and find appropriate local social support mechanisms when circumstances warrant.

Quality of Life Indicators: for measuring progress toward our Vision.

Organizational Strength - *Staff are the Foundation of the Enterprise*

The City of Medicine Hat is proud of its diverse and dedicated workforce. Council understands that excellent service to the community starts with skilled and motivated staff. The City is committed to helping employees achieve their full potential through an open sharing of information and by supporting a variety of personal development initiatives. Just as the City desires to be a "community of choice," it also strives to be an "employer of choice."

CAO's Report

2006 was an eventful year filled with successes made possible by the knowledgeable and dedicated staff that serve the residents of our city on a daily basis.

Mayor Vallely and Other Members of City Council, it is an honour and a pleasure to provide the 2006 Annual Report for the City of Medicine Hat.

Our Mission is "while balancing accessibility and affordability, to exceed expectations in the value of our services." The following information, including the eight-year Financial Comparisons on page 100, highlights our measures of success within four key categories:

Financial – City of Medicine Hat assets grew by $131.3 million to $1.34 billion with total equity of $1.03 billion. Excess operating revenues over expenditures were $140.7 million on total operating revenue of $326.9 million; 70 per cent was derived from Electric, Gas and Land and Subdivision Development. In 2006, capital investment was $124.4 million in natural gas, electric, roads, sidewalks and storm sewers. Tax supported debt per capita increased modestly to $517 and utilities supported debt per capita increased to $2,711. Our cash investment portfolio earned 4.18 per cent exceeding the benchmark by 20 per cent.

Residents / Customers – Customer inquiries were acted upon using the 2 x 14 criteria and major improvements were made communicating with residents before service changes were made. E-services applications were developed that provide residents with the capability to conduct City business 24 hours per day seven days per week (24 X 7). Automated payments increased by 20 per cent in 2006. City Council has placed a high priority on caring for the environment and therefore an Ad Hoc Environmental Strategy Advisory Group was formed to provide feedback to Administration and City Council on proposed environmental performance measures, targets and programs associated with the Community's Environmental Strategy. An Alternate Energy Review was completed and significant progress has been made on our thermal and wind energy development projects.

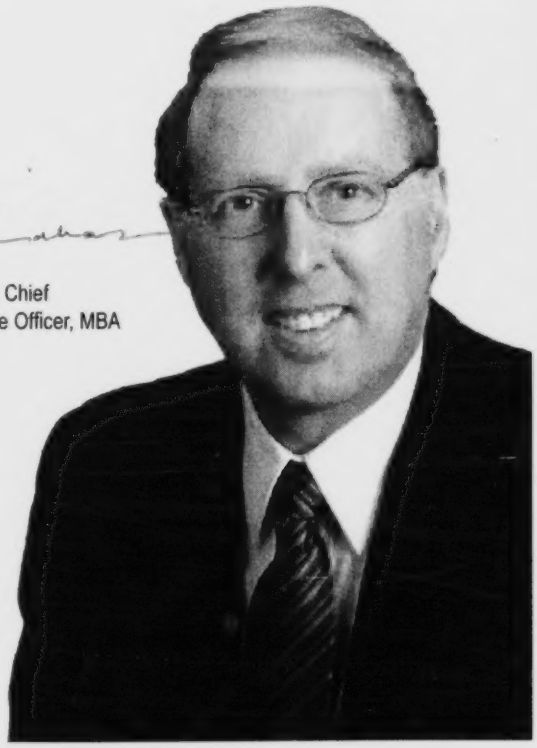
Internal Business Processes – Employee focus groups in the Energy Division identified items of priority to assist in operational efficiencies. Electric Generation installed an Automated Environmental Online Monitoring System on the LM2500s. Information and Computer Services developed a remote access capability that will allow employees access to internal applications and information from non-City computers, such as home computers. Council adopted a set of Smart Growth principles to guide development in Medicine Hat. These include building compact, well designed mixed use neighbourhoods and encouraging growth in existing residential communities while fostering unique neighbourhood identities.

Organizational Learning and Growth – In 2006 the City of Medicine Hat was named one of the Top 25 Employers in Alberta by Mediacorp Canada Ltd. We achieved 100 per cent on a Workers Compensation Board claims audit, the only municipality with this rating. Only 11 out of 76 total companies passed this audit in 2006. The Electric Utility achieved a 50 per cent overall reduction in safety incidents and with a Safety Accident / Incidence Frequency Rate of 2.12 as compared to 5.71 in 2005. A revised, employee-centered Intranet was launched to improve the delivery of information to staff. Finally, we continued with meaningful professional development which aligns actions with purpose and values.

I would like to take this opportunity to thank City Council for bringing clarity to our Vision, Mission and Priorities and to the employees and volunteers who continue to make Medicine Hat a "community of choice."

Regards,

Gerry Labas, Chief
Administrative Officer, MBA

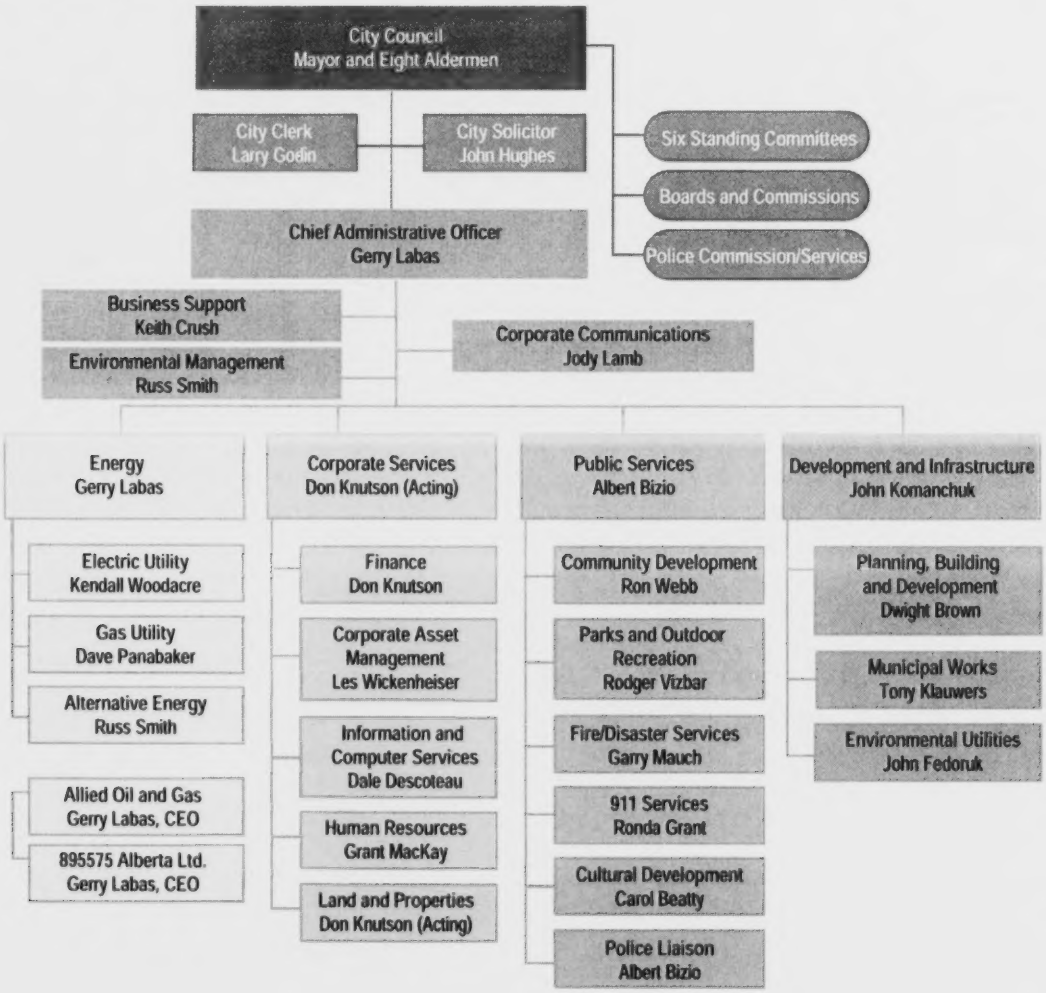


Board of Commissioners

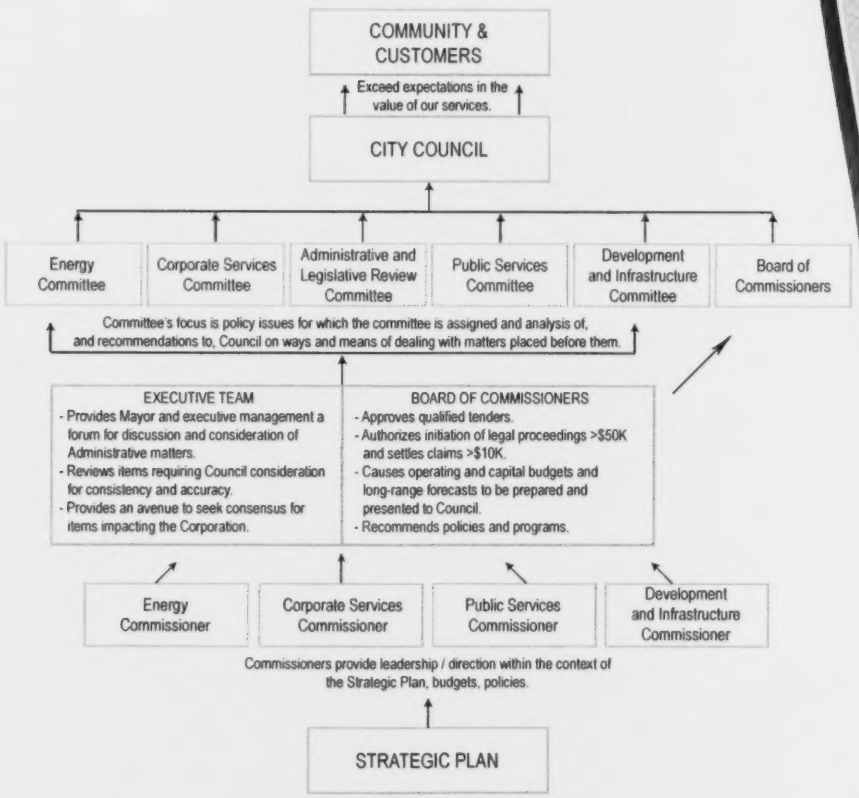
Gerry Labas, Chief Administrative Officer and Commissioner of the Energy Division
Don Knutson, Acting Commissioner of Corporate Services
Albert Bizio, Commissioner of Public Services
John Komanchuk, Commissioner of Development and Infrastructure
Larry Godin, City Clerk
John Hughes, City Solicitor

Board of Commissioners' meetings provide the Mayor and senior management with a forum to discuss strategy, to consider Administrative matters, to review items requiring Council approval and to seek consensus on issues impacting the Corporation.

Organizational Structure



Administrative Framework to Deliver Services


COMMUNITY & CUSTOMERS
Exceed expectations in the value of our services.
CITY COUNCIL
Energy Committee
Corporate Services Committee
Administrative and Legislative Review Committee
Public Services Committee
Development and Infrastructure Committee
Board of Commissioners
Committee's focus is policy issues for which the committee is assigned and analysis of, and recommendations to, Council on ways and means of dealing with matters placed before them.
EXECUTIVE TEAM
- Provides Mayor and executive management a forum for discussion and consideration of Administrative matters.
- Reviews items requiring Council consideration for consistency and accuracy.
- Provides an avenue to seek consensus for items impacting the Corporation.
BOARD OF COMMISSIONERS
- Approves qualified tenders.
- Authorizes initiation of legal proceedings >$50K and settles claims >$10K.
- Causes operating and capital budgets and long-range forecasts to be prepared and presented to Council.
- Recommends policies and programs.
Energy Commissioner
Corporate Services Commissioner
Public Services Commissioner
Development and Infrastructure Commissioner
Commissioners provide leadership / direction within the context of the Strategic Plan, budgets, policies.
STRATEGIC PLAN

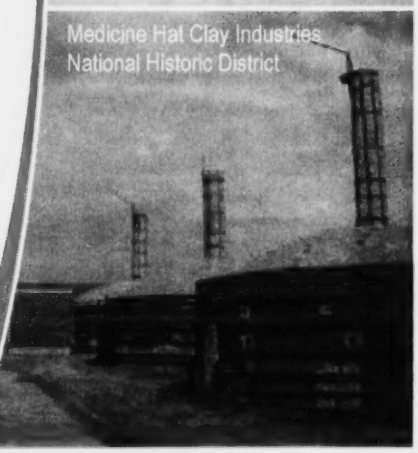
Clay Products Industry

One of the many industries to start up in Medicine Hat was the manufacture of clay products. The industry's main products were brick, tile, and sewer pipe. As with the other industries in Medicine Hat, clay products' plants benefited from the advantages of natural gas. The availability of gas assured clay products as one of Medicine Hat's earliest and most successful industries.

Medicine Hat's other natural advantage for the industry was an abundant supply of clay. For centuries, the South Saskatchewan River deposited alluvial silt along its banks, creating rich deposits of clay.

The industry slowly grew, and in 1907 reached a level of unprecedented activity. Four new companies opened up in one year, representing an investment of a quarter of a million dollars.

By 1929, the company with the I-XL trademark was in a position to acquire the Medicine Hat Brick and Tile Company. Automatic handling equipment and development of new ceramic bodies has enabled I-XL Industries Ltd. to become the largest producer of fired clay products in Western Canada.


Medicine Hat Clay Industries National Historic District

Measures of Success

Measures of Success provide performance expectations to City departments and business units in the following areas:

Financial

Residents/Customers

Internal Business Processes

Learning and Growth

Parade with 12 new Oakland cars on North Railway Street (1912)

Our Measures of Success

Stemming from Council's Vision, Mission, Values, Policy Objectives and Priorities, a core set of Corporate Measures of Success based upon a Balanced Scorecard model serve as a clear expectation to individual departments and business units regarding ongoing performance.

Financial
- Deliver tax-supported operations within approved Business Plan/Budget limits and Service Standards.
- Land and Utilities continuously meet or exceed Business Plan/Budget goals and objectives.

Residents/Customers
- Improve annual stakeholder inclusiveness, understanding, and satisfaction.
- Focus on residents by delivering on the "2x14 Service Commitment", based on "win-win", with no surprises when changing service levels or on publicly sensitive issues.

Internal Business Processes
- Annually improve business processes that affect our residents with a focus on customer service.
- Achieve major positive impacts through the redesign of selected processes offering high potential.

Learning and Growth
- Achieve annual improvements over the 2000 Employee Survey benchmarks – with a target of a 90 per cent satisfaction rating on Statement 10 of the employee survey.
- Grow the talent level and knowledge base of our workforce with an eye to succession.

Medicine Hat Hospital

In 1889, the Medicine Hat General Hospital opened its doors. The hospital rate was $1.25 per day for a bed in the general ward and $15 for maternity cases.

In 1895 a separate cottage hospital called Lady Aberdeen Women's Hospital was constructed for maternity care. By 1929, the rates were $2 a day and nurses were earning $40 a month and doctors were expected to make house calls.

A new nurses residence was constructed in 1956 and a new hospital in 1955. In 1980 a $25 million expansion to the hospital was underway as well as over $1 million for a two-tier parkade addition to the hospital grounds.

Today, the Medicine Hat Regional Hospital has 213 acute care beds.

Financial

Affordable, Well-Managed Services

Highlights

Municipal Services Operations Budget Report (in thousands of dollars)

	NET ACTUAL	* POSITIVE VARIANCE
General Government	$2,663	$182
Corporate Services	$4,870	$425
Public Services	$27,666	($372)
Development & Infrastructure	$8,408	$963
Police Services	$10,798	$9

* Services were delivered within approved budgets

Our Seven Utility Business Units (in thousands of dollars)

	Net Income (Loss)
Gas Production*	$92,452
Gas Distribution**	$(4,064)
Electric Generation	$4,879
Electric Distribution***	$(10,653)
Water Utility	$2,721
Sewer Utility	$959
Solid Waste Utility	$254

* Before Bad Debt Forgiveness to Gas Distribution and Electric Distribution
** Before Forgiveness from Gas Production ($6,472)
*** Before Forgiveness from Gas Production ($12,101)

2006 Goals **What we said we were going to do**	2006 Results **What we did**	2007 Goals **What we plan to do**
• Services are delivered within approved budgets.	• Tax-supported services were delivered with a positive variance of $1.0 million at year end.	• Services are delivered within approved budgets.
• Sustain financial commitments.	• Provided financial support to community groups and third party service organizations.	• Continue to provide funding and to foster a positive working relationship between the City of Medicine Hat and community service groups. • Continue to meet contractual funding obligations for external agencies based on agreed upon deliverables. • Complete a Family and Community Support Services / Social Development funding review.
• Land and Properties earns a Return on Investment of at least 15 per cent and Return on Equity of at least 12 per cent.	• Desired return on investment was 17.9 per cent and return on equity was 4 3 per cent. This was due to the substantial increase in servicing costs both locally and across the province.	• Sustain a Return on Investment of 15 per cent for Land and Properties and regain a Return on Equity of 12 per cent. Last year's servicing will allow Land and Properties to have a substantial increase in 2007 lot sales.
• Achieve and sustain appropriate cost of service for the electric commodity that will achieve 95 per cent of the Alberta market rate.	• Electric Generation increased value added transactions through sales and purchases with the Alberta market by $5.1 million.	• Electric customer rates and payment options to Electric Generation based on market rates across Alberta.
• Provide a return on future oil and gas investments by the City such that the portfolio of the City's oil and gas investments yields a return on equity of greater than 10 per cent. The portfolio will include primarily shallow gas in Alberta and Saskatchewan, some heavy oil, light oil, and/or deep gas, and no "frontier" production or sour gas.	• Strong energy markets for natural gas contributed to the overall success of the Gas Production Business Unit. Annual earnings significantly exceeded budget projections and year end results show a 20 per cent Return on Equity and 17 per cent Return on Total Assets.	• Maximize the profitability and financial netback of the City's oil and gas assets and ensure the overall equity return on the portfolio is a yield greater than 10 per cent. • Reduce reliance on a Gas Production subsidy.
• Continue to explore revenue generation opportunities.	• Alarm Systems Bylaw was approved by City Council to incorporate fines for repeated false alarms.	• Review options available for tax sharing. • Stream line standard charges and bylaw fees so that they are easier to interpret. • Review sources of funding for flood mitigation.

• Achieve revenue to cost ratio of greater than or equal to one by 2008 in Gas, Electric and Environmental Utilities. Compare revenue to costs and advocate for rates that cover costs but are stable and less than comparable rates in the Alberta market.	• Council approved 2006 rate increases for Gas, Electric, Water, Sewer and Solid Waste toward achieving the goal of revenue to cost ratio of one for each utility. Council's approved 2006 rate increases also contribute toward achieving and maintaining a positive working capital balance. • Restructured customer gas rates employing Cost of Service principles. • Electric Generation increased value added transactions through sales and purchases with the Alberta market.	• Present Council with 2007 rate requirements needed to achieve revenue to cost ratio of one; positive working capital balance as well as appropriate debt to equity ratios. • Ensure that a "Medicine Hat" advantage is apparent in our cost of service rates for distribution customers, by benchmarking against other gas and electric distribution companies. • Review the Gas and Electric Distribution Cost of Service Analysis work to adjust values for the last adjustment year of 2006 prior to achieving revenue to cost ratio of one in 2007. Electric, industrial and manufacturing customers have to 2010 to achieve revenue to cost status. Ensure gas and electric rates continue to adhere to Alberta Energy and Utilities Board principles and remove a commodity subsidy with rate proposals for 2007.
• Ensure that capital investment decisions conform to the City's overall oil and gas investment criteria.	• Undertook a review of operating cost experiences and drilling program results. The exercise reinforced the importance of economic review in capital decisions. • Maximized the value of gas storage to ratepayers as well as minimized the volumes and costs of spot market purchases for peak load requirements.	• Continue to ensure that capital investment decisions conform to the City's overall oil and gas investment criteria, including amendments to the internal Authority For Expenditure process and participation in a second round of benchmarking studies.
• Continuous improvement in the management of the City's investments.	• Developed an infrastructure financing plan related to off-site levies. • Changed out two older Electric Generation Plant LM2500's for two new reduced nitrogen oxide (NOx) emissions unit. • Improved overall output efficiency by eight per cent. • The Treasury Group meets on a monthly basis to review the portfolio and discuss ways to enhance investment returns. The return on investment for the year ending Dec. 31, 2006 was 4.18 per cent exceeding the benchmark by 71 basis points or 20.4 per cent.	• Review options with respect to achieving a higher return on the City's investment portfolio.
• Annual Finance productivity improvements are achieved to reach a 75 per cent quartile performance (best in class) when compared against similar operations.	• Supplementary Assessment was implemented and $379,000 in taxes collected of which $221,000 was the municipal portion. • Eighty-four per cent of meters were read in 2006. Target was 67 per cent. This was done to assist in the conversion of the Utility Customer Information System. • Exceeded collection standards of 0.3 per cent (actual for 2006 was 0.12 per cent) of billed revenue. Accounts Receivable write off did not exceed $24,000 (actual for 2006 was $20,000) and no property tax write-offs.	• Meet collection standards of 0.3 per cent of billed revenue. Accounts Receivable write off does not exceed $24,000 and no property tax write-offs. • Meet meter reading standards of 67 per cent of meters read per month. • E-services will exceed 80 per cent for Internet access.

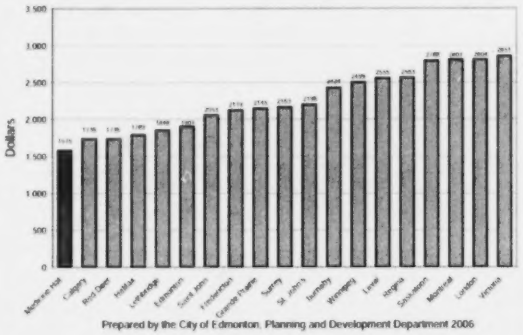
Canadian Pacific Railway Station (undated)

Residents/Customers

Stakeholder Satisfaction Through Quality Service Delivery

Highlights

Medicine Hat has the lowest property taxes in Canada
Total Property Tax for a Single Detached House (2006)



Prepared by the City of Edmonton, Planning and Development Department 2006

Among the lowest utility rates in Canada
(dollars per month)

	Medicine Hat	Lethbridge	Red Deer
Electric	$59.36	$84.92	$78.06
Gas	$83.32	$127.70	$117.83
Water	$23.12	$26.01	$20.26
Sewer	$21.00	$21.18	$21.46
Garbage	$10.33	$10.50	$7.29
TOTAL	$197.13	$270.31	$244.90

(Electric, Water, Sewer and Garbage as per the 2006 City of Edmonton Report, Page 24) (City of Medicine Hat – removed Recycling fee from Garbage rate to reflect like comparison with Lethbridge and Red Deer) (Gas charges for the month of September, 2006 – 11 GJ's consumption)

2006 Goals **What we said we were going to do**	2006 Results **What we did**	2007 Goals **What we plan to do**
• Exceed service expectations of our customers through improved services and customer relations.	• All customer inquiries acted upon using the 2 x 14 criteria. • No surprises for customers when service changes are made and no surprises to Council on publicly sensitive issues. • Developed e-Services applications that provide residents/customers the capability to conduct City business 24 hours per day seven days per week (24 X 7). Automated payments increased by 20 per cent. • Introduced a new Utility Billing System to provide more clarity and information to utility customers. • 9-1-1 enhanced services to the Palliser Health Region including Oyen and Empress areas. • Electric customers obtained the best outage frequency rate in the country. • Received the Government Finance Officers Association Award for Financial Reporting for the fourth year in a row.	• Continue to focus on our residents by delivering our "2x14 Service Commitment", based on a "win-win", with no surprises when changing service levels or on publicly sensitive issues. • Launch a revised customer-centered City website that provides timely and useful information to residents/ customers. • Continue to develop e-Services to support a 24x7 environment. • Continue to develop and enhance business and industry two-way communication with City operations. • Increase the number of customers that use online services by 10 per cent and a decrease in cashier transactions by 10 per cent.
• Achieve measurable progress with respect to Council's priority to establish Community Environmental Stewardship priorities and a strategy.	• An Ad Hoc Environmental Strategy Advisory Group was formed to provide feedback to Administration and City Council on proposed environmental performance measures, targets and programs associated with the Community's Environmental Strategy. • City Council adopted a set of Community Environmental Priorities.	• Continue working to develop community environmental performance measures, targets, and the review of potential environmental education and incentive programs. • Remain on the forefront with respect to up and coming initiatives that will support the City's commitment to the environment.
• Provide support services to the Mayor and the Alderman Responsible for Civic Functions.	• Provided support services to Mayor through Mayor's Youth Advisory Committee, Off-site Levies, Wildhorse Border Crossing, Economic Development Alliance (EDA), City Centre Development Agency, Palliser Economic Partnership, Canadian Badlands Ltd. as well as communication services.	• Provide services to Mayor through Mayor's Youth Advisory Committee, Off-site Levies, Wildhorse Border Crossing, Economic Development Alliance (EDA), City Centre Development Agency, Palliser Economic Partnership and Canadian Badlands Ltd. as well as communication services. • Provide support (point of contact) to aid Palliser Health Region in medical staff recruitment.

• Continue to identify trends and proactively plan to maintain Medicine Hat as a safe and desirable community to live.	• Enhanced the security of Medicine Hat to keep it a safe and desirable place to live. Medicine Hat is reported as the lowest crime rate per capita in Alberta. • Increased the focus on illegal drugs and drug related crime through a comprehensive Community Drug Strategy, including community partnerships, education and enforcement. Dogs for Drug Free Schools completed certified detection training. $1.3 million of illegal drugs was seized in 2006. • Continued to reinforce and enhance the involvement of Fire Suppression staff in the delivery of community fire and life safety programs. • Delivered an Electrical Safety Awareness Program to all Grade 4 students in the school system.	• Through professional, progressive policing, continue to identify trends and proactively plan to maintain Medicine Hat as a safe and desirable community to live. • Introduce a comprehensive public safety campaign for electricity. • Continue to support the community through new and existing crime prevention and drug use reduction programs.
• Encourage the wise use of resources and explore alternative forms of energy.	• Introduced an Energy Conservation Charge in customer rates to promote the wise use of energy. • An Alternative Energy Review was completed and the recommendations were adopted by City Council. • An Aquifer Thermal Energy Storage field test completed with results presented to City Council.	• Determine next steps with respect to the City's various renewable energy initiatives (Wind, Aquifer Thermal Energy Storage). • Complete energy conservation review to determine the effectiveness of various conservation initiatives based on their environmental and financial impacts.
• Conduct business within environmental, safety, and public regulations.	• Prioritized major bylaw drafting projects and adhered to legislative action plan. • Gas Production continued to work with land owner groups in environmentally sensitive areas and developed acceptable operating regulations.	• Conduct business within environmental, safety and public consultation regulations.
• Continue to proactively develop partnerships.	• Started discussions with neighbouring municipalities to develop an Intermunicipal Development Plan.	• Work with Redcliff and Cypress County to develop a new Intermunicipal Development Plan. • Explore opportunities for Regional Services. • Review a more active role/partnership with the Economic Development Alliance relating to Alternative Energy. • Continue to proactively develop partnerships with neighbouring municipalities.
• Ensure public consultation takes place as required with stakeholders throughout the design and implementation phases of a project so the public has an opportunity to clearly understand the outcome or project changes.	• Hosted numerous community open houses to inform and seek the public's input on various service initiatives.	• Develop a public engagement policy for involving residents in City processes.
• Increase the service level within the Downtown such that streets, sidewalks, and street lights are to a high standard that reflects an above average level of maintenance.	• Achieved stipulated service levels for sidewalks, lanes, traffic signals, marking and bridge maintenance.	• Maintain the established service level for sidewalks, lanes, traffic signals, marking and bridge maintenance. • Assist City Centre Ad Hoc Committee in developing strategic action plan for Downtown.
• Develop long range plans for delivery of cultural services/programs: Cultural Master Plan and Heritage Policy.	• Implemented the Esplanade Operational Plan.	• Complete the Cultural Development Master Plan.
• Collect and dispose of customers' waste water and solid waste, and ensure customers receive safe, quality water in reasonable supply at all times.	• Met the established service standards.	• Implement the initial phase of automated solid waste collection.
• Achieve Council's priority to develop Quality of Life Indicators that are used for strategic, financial and business planning.	• Identified Quality of Life Indicators to gauge the effective delivery of public policy.	• Develop Quality of Life Indicators for measuring progress towards our Vision.

• Assist all electric sub-departments in ensuring the generation, purchasing, and delivery of safe reliable electricity and communications services are efficient and delivered at minimum cost.	• Electric Utility achieved a Revenue to Cost ratio of .86 which was better than .81 budgeted for 2006. Achieved Generation Availability (WAF) of 92.7 per cent as compared to 93.4 per cent for 2005. Achieved Electric Distribution Service Reliability of 99.9856 per cent as compared to 99.9858 per cent in 2005.	• Introduce new Energy Division Business Models to commence in 2007 which adds a Retail (Electric) and Marketing (Gas) business unit to each Utility with the effect of establishing improved financial measurements and accountabilities for all Energy Division business units. • Implement the new business models and report on benchmark performance associated with system reliability, safety, sales and purchasing, and operation and maintenance cost reductions. • Introduce benchmark success measures and incentives to work to achieve success. • Continue to work with the Alberta Electric System Operator to have a submitted South East transmission needs application filed at the Alberta Energy and Utilities Board.
• Have approximately 250 residential lots on the open market in various locations, with various sizes and various price attributes. Supplying commercial and industrial markets with a variety of lot sizes and locations by extending or creating new subdivisions.	• Commence servicing of 210 lots for sale in early 2007. Land sales remained strong and development remains active. • C-2 and C-3 lots will be developed in Southlands and Ranchlands in 2006 and 2007. • Industrial lot sales are brisk, with availability into 2007.	• Land is developing 585 lots in 2007 including single and multi-family lots in various locations, in varying sizes and prices, which include an affordable housing site and a built green multi-family site. • Supply commercial markets with a variety of lots sizes and locations. • On industrial, Land and Properties will complete the sale of a 14-acre site next to the airport. • Utilize surplus land assets (airport) to capitalize on land development opportunities.

Bird's eye view of early Medicine Hat (undated).

Internal Business Processes

Improving How We Provide Our Services

Highlights

Three-Year Budgets

Why move to a three-year budget cycle?

- Incorporates a long-term perspective.
- Enables Administration to plan more effectively for initiatives that take longer than one year to fully implement.
- Improves staff re-deployment effectiveness.
- Saves hundred of hours in budgeting time.

Tracking residents requests using the "2x14 Service Commitment" system

- Within two days the person making the request will receive a confirmation call for clarification and to let them know: (i) we have it, and (ii) the contact person.
- Within 14 days the person will receive a call: (i) either with the answer or (ii) a date when they can expect an answer.
- Commissioners' Offices processed over 100 requests meeting the time commitment in over 96 per cent of the cases.

2006 Goals
What we said we were going to do

- Review / revise long established processes and routines. Venture into new, breakthrough areas of opportunities by supporting and improving new and existing business processes.

2006 Results
What we did

- Enhanced customer service through the expansion of the Permit Approval and Tracking System.
- Completed major bylaw drafting projects to adhere to legislative action plan.
- Employee focus groups in the Energy Division identified items of priority to assist in operational efficiencies.
- Electric Generation installed an Automated Environmental Online Monitoring System on the LM2500's.
- Electric Distribution and Electric Engineering modified billing requirements to be fixed price per subdivision lot and full cost recovery for standard charges.
- Land and Properties prepared a draft of a business strategy.
- An update to the Purchase Card (P-Card) and Low Value Purchase Order policies were completed.
- Implemented the Utility Customer Information System.
- Reinspected 2,700 homes to comply with provincial Assessment Regulations.
- Revised Maternity/Paternity Leave and Re-employment of Retirees Policies.
- City achieved 100 per cent on a Workers Compensation Board claims audit (only municipality); only 11 out of 76 total companies passed this audit in 2006.
- Received the Minister's Award for Municipal Excellence in the Innovation category for the "Mitigating Flood Risk Using Geographic Information Systems" practice.
- Recruitment activity was approximately 35 per cent higher in 2006 over 2005 levels while applications were 10 -15 per cent less.
- Ongoing disability claims and case management: Over 200 new cases including 171 Worker Compensation Board claims for the year (35 of which were lost time); conducted internal safety audit with a corporate passing grade of 84 per cent.

2007 Goals
What we plan to do

- Complete the next phase of the Permit Approval and Tracking System.
- Improve Energy Division's internal procedures related to Purchasing and Human Resources to allow more effective and efficient acquisition of goods, service and personnel.
- Define a clear set of Electric Generation performance targets easily understood and explained.
- Increase technology application in Electric Distribution operations to increase employee effectiveness in work processes.
- Improve system utilization and Electric Plant heat rates.
- Explore opportunities for Land and Properties department diversification to include Property Development.
- Develop Land and Properties marketing strategies and implement an inventory management system.
- Complete Land and Properties Business Strategy.
- Develop pricing/marketing policy, leasing policy and inventory management system.
- Complete a review of the Purchasing Policies with the intent of updating the policy effective Jan. 1, 2008. The strategy is to review our policies every three years and update where required to ensure we are operating with best practices.
- Implement Automatic Invoice Processing system.
- Implementation of Tangible Capital Asset project.
- Reinspected 4,600 homes to comply with provincial Assessment Regulations.
- Continually improve Human Resource processes to become more efficient and effective and ensure standard protocols are documented and communicated.
- Leverage technology to continually improve upon various organizational Human Resource practices.

• Continuously improve internal business processes to optimize resources required to provide services for increasing load growth and legislative demands.	• Implemented a new internet based software accounting program in Gas Production. • Implemented advanced technology and equipment to minimize required resources. Replaced the Records Management System server. A complete reorganization of resources was completed and the error rates reduced. • Completed migration of all Unisys mainframe applications resulting in a $10,000 savings per month. • Launched a new Intranet (Employee) site. • Upgraded the complete City network with new switches and rewired Police Services and City Hall. • New orthophotography and updated digital elevation models. Work completed and placed into production. • Information and Computer Services coordinated 10 computer training classes for 71 students. • Information and Computer Services developed a remote access capability that will allow employees access to internal applications and information from non-City computers, such as home computers.	• Integrate Computerized Maintenance Management System date for the Solid Waste Utility. • Integrate Solid Waste Collection Operations Management Software. • Review the automated vehicle locator and digital video for Patrol Units. • Introduce computerized mapping to distribution vehicles, upgrade Supervisory Control and Data Acquisition System (SCADA) to new technology for easier updating and greater accuracy and complete remote communication needs for Gas Production operations.
• Select a solution in regards to our Human Resource Information System needs and commence implementation.	• Began to develop a comprehensive Human Resources Information System to improve reporting capability and address areas such as succession planning, training, health and wellness and safety.	• Continue development of a Human Resources Information System.
• Review facility/program usage and management so facilities are rated as high quality by 80 per cent of the users. Marketing, utilization and revenue targets are established/met annually and annual utilization reports are developed in all department areas.	• Improved service program delivery and utilization of existing facilities, programs and services.	• Continue to investigate and research options for the delivery and usage of existing facilities, programs and services.
• Redefine the scope, structure and costs for Disaster Services delivery.		• Complete revisions to the Disaster Services Bylaw #3030.
• Be efficient and effective in how we identify, prioritize, and maintain our municipal infrastructure. Review facility needs to ensure personnel are properly located to increase efficiency.	• Reviewed facility needs to ensure personnel are properly located to increase efficiency. • Implemented the initiatives as outlined and approved from the 2005 Realty Asset Management Plan.	• Review facility needs to ensure personnel are properly located to increase efficiency. • Conduct an in-depth feasibility study to review Police infrastructure.
• Ensure the use of the continuous improvement cycle to facilitate the effective implementation of the City's Corporate Environmental Management System (EMS) within the City's operating departments.	• Environmental Advisor hired to facilitate the implementation of Environmental Management Systems within City departments.	• Work with operating departments to facilitate the ongoing implementation of their Environmental Management Systems to help ensure the department's environmental risks are identified and addressed in a duly diligent manner.
• Achieve Council's priority to develop a water management strategy.	• Presented Council with a strategy for residential wise use of water. Council adopted the strategy and provided direction to develop the implementation details.	• Present Council with an implementation strategy for residential wise use of water following the 2006 adopted strategy.
• Identify waste diversion alternatives		• With new manager in place this project will commence.

• Achieve Council's priority by employing Smart Growth principles to develop Medicine Hat as a safe and sustainable community.	• Developed the following Smart Growth principles:
	  • Build compact, well designed, mixed-use neighbourhoods.
	  • Encourage growth in existing residential communities while fostering unique neighbourhood identities.
		• Smart Growth principles to be included in Area Structure Plans and Concept Schemes. Land and Properties wants to build communities and not just develop lots. Also plan on two infill developments (Third Street NW and Lions Park).

Organizational Learning and Growth

Supporting a Strong Workforce

Highlights

City of Medicine Hat
One of Alberta's Top 25 Employers

Alberta's TOP 25 EMPLOYERS 2007

Criteria:

- Physical Environment – location, facilities
- Work Atmosphere – celebrations, events
- Health Benefits
- Financial Benefits and Compensation
- Family-Friendly Benefits – parental/ compassionate leave
- Vacation Policy and Personal Days-Off
- Internal Communications – newsletter, intranet
- Performance Management – reviews, feedback
- Continuing Education and Professional Development
- Community Involvement

Constructive Culture
"The City's Journey Launched in 2005"

Why a Constructive Culture?

- To create a stronger understanding in the:
  - importance of serving our City.
  - roles we each must contribute.
  - shared common behaviours we value.
- To strive for a standard of excellence by:
  - openly supporting creative thinking.
  - ensuring personal and professional development.
  - goal setting and fulfilling our commitments.
  - holding ourselves and others accountable.
  - conducting ourselves with the utmost of integrity at all times.
- To create an exceptional workplace environment:
  - by developing trusting interpersonal relationships.
  - through open and honest communication.

2006 Goals **What we said we were going to do**	2006 Results **What we did**	2007 Goals **What we plan to do**
• Medicine Hat Regional 9-1-1 Communications becomes a recognized "Centre of Excellence" in compliance with internal protocols.	• Medicine Hat Regional 9-1-1 Communications applied for accreditation for all three emergency protocols (Fire, Medical and Police).	• Accreditation of all three protocols makes Medicine Hat Regional 9-1-1 Communications the first agency to be successful in the world.
• Be an "Employer of Choice" in retaining and attracting staff.	• Named one of the Top 25 Employers in Alberta.	• Be named one of Canada's Top 100 Employers.

• Maintain progress toward a constructive culture. Foster a constructive environment that will allow employees to work together in a spirit of respect, founded upon trust and open and honest communication.
  • Update our Core Competency Model and use as the basis for evolved Job Description, Succession Planning, Achievement Planning and other policies / processes that are directly linked to valued organizational competencies and behaviours.
	• All senior leaders signed a Declaration to a Constructive Culture. Departments began engaging their staff in discussions about the Declaration.	• Continue toward a more constructive culture through better communication and strong relationships such as:
		  - All staff review quarterly management reports.
		  - Supervisors review Achievement Planners with staff semi-annually.

• Provide a safe work environment within which all employees can perform their work without injury.	• Continued to promote and update safety training. • Electric Utility achieved a 50 per cent overall reduction in safety incidents and obtained the Canadian Electrical Association average. Achieved Safety Accident / Incidence Frequency Rate of 2.12 as compared to 5.71 in 2005. • Implemented Industrial Safety Glass Program. • Maintained a strong commitment to the health and safety of Gas Utility employees through the Corporation's Workplace Safety 2.0 Program.	• Continue to support safety initiatives. • Achieve or beat the Canadian Electrical annual safety targets. • Maintain a strong commitment to the health and safety of our employees, contractors and consultants by supporting the Corporations Workplace Safety 2.0 Program and "safe today" motto.

• Improve organizational capacity / skills for internal and external communicating.
  • Provide an environment that supports two-way communication and continuous feedback to encourage learning and growth.
  • Intranet content is comprehensive and is based on an employee service approach.
	• Undertook and discussed with employees an Internal Communications Review.
	• Launched a revised, employee-centered Intranet to improve the delivery of information to staff.
	• Continued to provide staff with information through the In the Loop employee newsletter.
		• Develop and implement an Internal Communications Action Plan to improve communications.
		• Continue to monitor and revise the Intranet to provide information employees need to do their jobs.
		• Continue to deliver In the Loop to employees.

• Continue recruitment strategies to attract top quality candidates. Hire, develop and maintain a competent staff. • Create an environment to support teamwork, long-term planning, creativity and work effectiveness.	• Developed succession planning strategies. • Police recruited five experienced officers, nine inexperienced officers.	• Continue to explore strategies to ensure service levels are not affected by the tight labour market. • Police Service to recruit seven officers. • Continue with survey work to ensure management understands the opinions and needs of its employees in areas of training, culture, succession planning and health and wellness.
• Support and encourage continuous training and development.	• Continued with meaningful professional development which aligns actions with purpose and values.	• Continue to provide staff with the opportunity for on-going learning and development through the Achievement Planning process, professional development, and regular feedback and recognition, with a focus on mutually agreed-upon succession planning needs.

Treasurer's Report

Salvation Army Band marching down Third Street (undated).

Treasurer's Report

For the year ending December 31/06

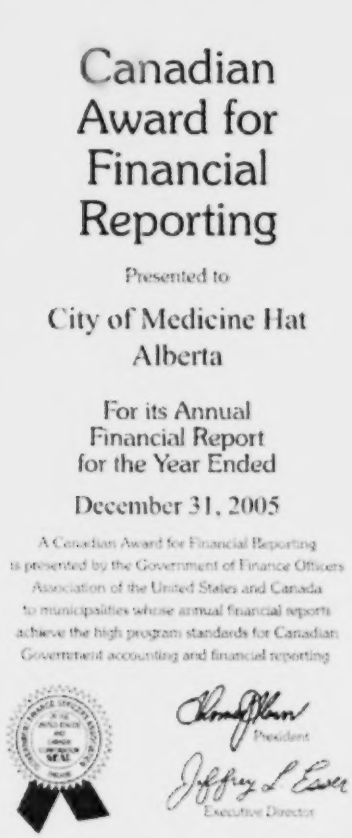
Introduction

I am pleased to submit our 2006 Consolidated Financial Statements for the fiscal year ended December 31, 2006. KPMG LLP has audited these financial statements and provided an unqualified audit opinion in their report dated March 7, 2007.

The City is responsible for both the accuracy of the data and the completeness, and fairness of the presentation, including all disclosures. This report provides users with an overview of the City of Medicine Hat's financial performance.

The purpose of the Annual Report is to present the users and readers with a clear insight of the financial results for our fiscal year end December 31, 2006. We strive to ensure that this report presents fairly the financial position of the City of Medicine Hat. The report compares how financial resources were used against budgets and past financial performance. The report is divided into seven sections:

- Introduction – Provides an overview of the Treasurer's Report.
- GFOA Award for Financial Reporting.
- Risk Management – Discussion of Risks and Risk Management Strategies.
- Management Reporting and Control – Provides an explanation of the planning, budgeting, accounting, auditing and reporting process.
- Financial Statement Discussion and Analysis – Presents a review of the City of Medicine Hat's financial activities and position for the fiscal year ended December 31, 2006. It is supplementary information to the financial statements and, therefore, should be read in conjunction with the consolidated financial statements, accompanying notes and supporting schedules.
- Financial Statements – Presents the consolidated financial statements, supporting statements, notes and schedules and the independent external auditor's report. These statements and schedules contain comparative results for two prior years, current year results and the approved budget for the operating, capital and reserve funds.
- Financial and Statistical Schedules – Presents a variety of Financial and Statistical Schedules, which includes Segmented Financial Statements for each department prior to consolidation.


Canadian
Award for
Financial
Reporting
Presented to
City of Medicine Hat
Alberta
For its Annual
Financial Report
for the Year Ended
December 31, 2005
A Canadian Award for Financial Reporting is presented by the Government of Finance Officers Association of the United States and Canada to municipalities whose annual financial reports achieve the high program standards for Canadian Government accounting and financial reporting.
President
Executive Director

Don Knutson
Acting Corporate Services Commissioner

GFOA Award for Financial Reporting

The Government Finance Officer's Association of the United States and Canada (GFOA) awarded a Canadian Award for Financial Reporting to the City of Medicine Hat for its Annual Financial Report for the fiscal year ended December 31, 2005, the fourth year in a row. The Canadian Award for Financial Reporting program was established to encourage municipal governments throughout Canada to publish high quality financial reports and to provide peer recognition and technical guidance for officials preparing these reports.

In order to be awarded a Canadian Award for Financial Reporting, a government entity must publish an easily readable and efficiently organized annual financial report with contents conforming to program standards. Such reports should go beyond the minimum requirements of generally accepted accounting principles and demonstrate an effort to clearly communicate the municipal government's financial picture, enhance an understanding of financial reporting by municipal governments and address user needs.

Risk Management

This section of the report deals with the City's exposure to risk and uncertainty to enable the reader to make informed judgments about the implications of these risks on the City's financial position.

(a) Operational Risk Management

The City's operations are insured under a conventional insurance program, which includes Property, Boiler and Machinery, Liability, Automobile, and Oil and Gas Multi-Energy. The insurance program includes a self-retention component for those losses within the various deductible levels.

(b) Public Safety

The Medicine Hat Police Service has kept pace with the growth in the community and the demand for services from residents. This has been accomplished through implementation of technology and equipment to more effectively utilize resources while maintaining officer and public safety. Continued training and development of the Police Service personnel maintains a sufficient level of expertise to enhance organizational strength. Funding to the Police Service has continued to increase to ensure that the needs of the public are met. The Medicine Hat Police Service is happy to report that it has reached the lowest crime rate per capita in Alberta in 2006. This is, no doubt, the result of sound crime prevention by the Police Service and unwavering support by the community.

The goal of the Fire and Disaster Services is to provide quality protection to the community through the delivery of disaster services, fire, rescue, community safety and educational programs and to rapidly respond to emergencies. The department continues to monitor city growth patterns and recommend changes or improvements that will provide a balanced measure of protection to new areas.

The City operates a 9-1-1 Communication Centre, serving our community as a single point of contact for allocation of emergency and essential services to the residents of Medicine Hat and area. 9-1-1 serves a regional population of approximately 100,000 with immediate contact capability for language interpreters, poison control, disaster services, chemical spill information and call trace. The aim is to maintain a level of service that meets or exceeds industry standards with respect to call-answer times and protocol compliance.

(c) Treasury Management

City funds are invested in accordance with Investment Policy 0110. The goal of this policy is to ensure that the investment of City funds is made in a manner which will provide the highest investment return with the maximum security while meeting the daily cash-flow demands of the City, and conforming to all provincial statutes and regulations governing the investment of municipal funds. Investment performance is benchmarked against the Scotia McLeod Universe Bond Index with an overall objective of sustaining a yield that exceeds 80 per cent of the index. The Treasury Team meets to review the investment portfolio and monthly activity. A Treasury Report, complete with performance indicators, is compiled quarterly and distributed to the Corporate Services Committee and City Council.

In addition, internal control procedures are designed to ensure that the daily handling of cash is managed in a secure methodology.

(d) Environmental

The Environmental Management department serves as the focal point on matters relating to environmental stewardship and compliance. This department supports operating departments in maintaining appropriate levels of environmental due diligence, by providing assistance in interpreting and complying with evolving and emerging environmental regulatory requirements and industry standards. One of the goals is to keep Council informed of the City's progress in striving for continual improvement in

management systems that focus on both compliance and proactive excellence in matters of environmental stewardship. Another goal is to support Council's environmental stewardship priority by ensuring that the City is in compliance with relevant laws, regulations and approvals. This is done by informing key stakeholders within the municipality of current and emerging environmental issues that could impact upon the quality of life in Medicine Hat, and by striving to encourage a corporate culture that considers environmental protection during our normal course of business.

Management Reporting and Control

The following section deals with the planning, reporting and audit process.

(a) Strategic Planning and Budgeting

City Council develops a Strategic Plan highlighting priorities, strategies and goals for the planning period. Based on the direction set out by the Strategic Plan, three-year Departmental Business Plans are prepared. These Business Plans communicate each department's alignment with the Strategic Plan and identify:

- The core activities of the department and the aim of each activity.
- Departmental customers.
- Opportunities, trends and challenges faced by the department.
- Goals and objectives to be achieved by the department.
- Capital assumptions.

Budget guidelines and high-level financial projections are developed. Based on these guidelines and Departmental Business Plans, departments develop their budget requests. Effective for the 2006 – 2010 planning period City Council has approved the adoption of a three-year operating and capital budget with a two-year projection.

The Board of Commissioners reviews departmental budgets and when satisfied that budgets are aligned with the Business Plans, the budget recommendation is presented for Council approval.

Medicine Hat's Operating Budget lays out the revenues and expenditures for the planning periods that will be required to deliver City services.

A five-year Capital Improvement Plan is developed for all departments. The Capital Improvement Plan identifies proposed capital project expenditures and their sources of financing.

Effective for the 2006 - 2008 budget period the City has adopted a capital ranking process for the Tax Supported departments. This process is intended to ensure that capital funding is allocated to the projects that will provide the highest value to the municipality.

(b) Accounting

The City of Medicine Hat is organized in four divisions, Corporate Services, Public Services, Development and Infrastructure, and Energy Division. Each division is responsible for managing the delivery of services in accordance with the resources allocated. All divisions share a common accounting and reporting system, and financial and accounting services are administered under the direction of the Commissioner of Corporate Services and delivered to each division based on their requirements.

(c) Auditing

The Municipal Government Act requires municipal councils to appoint an independent auditor. In 2003 Medicine Hat City Council appointed KPMG LLP as the external auditor for a five-year term.

The role of the external auditor is to present an independent opinion on the fair presentation of the City's financial position and operating results as contained in the Financial Report, and to express an opinion that the financial statements are free from any material misstatements. The auditor advises management and the Audit Committee of any control or operational matters that may have been identified during the audit procedure.

The Audit Committee, comprised of three members of City Council, is a Standing Committee of Council. The Audit Committee is responsible for recommending the appointment of the independent auditor, reviewing the terms of the engagement and overseeing management's responsibilities for financial reporting. The Audit Committee meets with management and the independent auditors to discuss the scope and timing of the audit, to review the auditor's findings, and to ensure that management is carrying out its responsibilities.

(d) Annual Report

The Annual Report contains the audited financial statements consistent with principles and standards for financial reporting established by the Public Sector Accounting Board of the

Canadian Institute of Chartered Accountants, as required by the Alberta Municipal Government Act. In addition, it serves as an opportunity to communicate with taxpayers and other members of the public regarding the City's financial performance and significant financial events in 2006.

Financial statements in the public sector serve as a central feature of reporting and assessing the management of public financial affairs. They report the municipality's actual financial activities, in comparison to planned activities and the resulting financial condition of the municipality. They are only one factor in determining the financial condition of a government and do not replace a variety of other reports that are prepared. The financial statements serve as a means by which a municipality provides a report of its administration of public funds, and presents information that is useful in evaluating the municipality's financial condition at the end of a year, and its financial performance through the year.

The information in this Annual Report is the responsibility of management. KPMG LLP, the City's independent auditors, has audited the accompanying statements and its report accompanies the financial statements.

Council carries out its responsibility for the Consolidated Financial Statements through the Audit Committee.

Financial Statement Discussion and Analysis

(a) Overview

Overall, the financial results for 2006 are favourable as compared to budget and prior years.

- Total Financial Assets increased $71.2 Million from $300.1 Million in 2005 to $371.3 Million in 2006. This increase is the result of an increase of $58.7 Million in investments primarily related to the favourable performance of the Gas Utility.
- Capital Assets increased $58.6 Million. This increase is primarily related to the Gas Production and Electric Generation capital programs.
- Total Liabilities increased $46.9 Million in 2006. Trade Accounts Payable increased $7.9 Million. This increase is primarily related to payables at year end for the Gas Production Capital program. Other Long-Term Liabilities increased $9.5 Million. This increase is due primarily to the increase in the Gas Asset Retirement Obligation.
- Long-Term Debt increased $29.2 Million due primarily to borrowing for Electric Generation and Water capital programs. During 2006 the City borrowed $41.8 Million. $4.0 Million of this increase relates to tax supported expenditures. Principal in the amount of $12.6 Million was repaid. Of this repayment, $2.8 Million relates to tax supported debentures while the balance relates to utilities.
- Net Consolidated Revenues were $25.8 Million compared to a budgeted deficiency of $12.0 Million. Gas sales were $30.9 Million over budget as a result of commodity prices for wholesale gas two per cent above expectations at $5.69 versus $5.57 per Gigajoule (GJ), combined with a production volume improvement of 14.5 per cent due to a more gradual decline in production rates than expected.
- The City of Medicine Hat's investment return for the year ended December 31, 2006 averaged 4.18 per cent outperforming the Scotia McLeod benchmark index of 3.47 per cent. The City's average portfolio return has outperformed the stated benchmark the last five years.
- Tax Supported debt per capita increased from $505 to $517; Utilities supported debt per capita increased from $2,256 to $2,711.

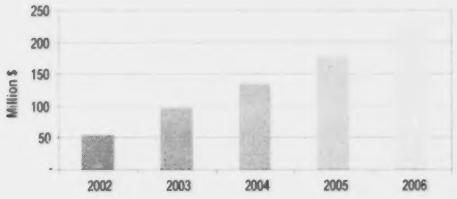
(b) Statement of Consolidated Financial Position

The Statement of Consolidated Financial Position reports the financial and capital assets of the City. The difference between the financial assets and total liabilities are the Net Financial Assets if positive and Net Debt if negative. This figure provides the reader with an indicator of financial flexibility and of the City's future revenue requirements to finance activities and meet financial commitments.

The non-financial assets of the City are assets that are, by nature, normally used in service provision and include purchased, constructed or developed physical assets.

In 2006 the Net Financial Asset position increased $24.3 Million from $36.1 Million in 2005 to $60.4 Million in 2006. This increase is primarily the result of favourable earnings in the Gas Utility.

Investment Portfolio



Investments, Loans and Advances increased $58.7 Million from 2005 due primarily to cash generated from operation of the Gas Utility.

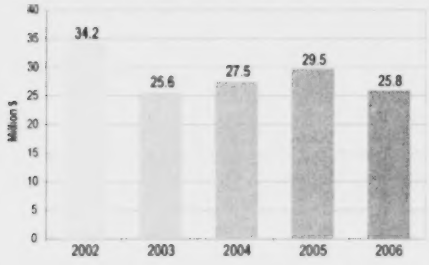
Trade Accounts Payable increased $7.9 Million. This increase is primarily related to payables at year end for the Gas Production Capital program.

Other Long-Term Liabilities increased $9.5 Million. This increase is primarily due to the increase in the Gas Asset Retirement Obligation. The total liability for the Gas Asset

Retirement Obligations at the end of 2006 is $43.3 Million. This legal obligation is related to liabilities associated with the future retirement of tangible long-lived petroleum and natural gas assets resulting from the acquisition, construction, development and normal use of petroleum and natural gas assets.

Operating Fund balances decreased from $29.5 Million to $25.8 Million. City policy directs that any surplus in Operating Funds not required to maintain the operating fund target balance of seven per cent of prior years budgeted gross expenditures be transferred to the departmental reserves for Electric, Gas and General Government. In 2006 funds in the amount of $12.3 Million for General Government, $1.2 Million in Electric and $73.5 Million in Gas were transferred to reserves.

Consolidated Year-End Operating Fund Balance



The Capital Fund increased from $12.9 Million to $22.2 Million. This change is the result of an increase in the funds set aside for the completion of various Gas Utility capital projects. If the projects intended for completion by December 31, 2006 would have been completed these projects would have been funded from the Capital Fund and debt. Completion of these projects would have decreased cash and therefore the Net Financial Asset Position would have decreased.

Reserve Fund balances have grown from $156.9 Million to $206.2 Million. Transfers to reserves were $87.1 Million compared to a budget of $45.5 Million. Expenditures funded by reserves totaled $37.8 Million. Gas Utility capital projects were the major uses of reserves. The notable increase in transfers to reserves relates to the transfer to the Gas Depletion Reserve which was $73.5 Million (including Equity in Subsidiary).

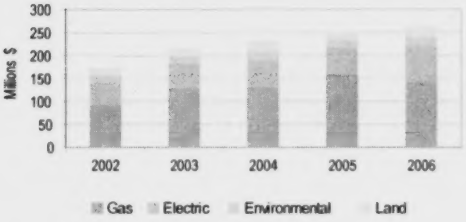
(c) Consolidated Statement of Financial Activities

The Consolidated Statement of Financial Activities reports the extent to which revenues raised in 2006 were sufficient to meet expenditures. It shows whether the City has met its expenditures with revenues by incurring liabilities or by drawing on existing financial assets.

The excess of revenue over expenditures was $25.8 Million compared to a budgeted deficiency of $12.0 Million.

Of the total consolidated operating revenue of $336.4 Million, 70 per cent was derived from the sale of goods and services by the Electric, Gas and Land and Subdivision Development. Much of the revenue generated by Gas operations is achieved through sales of natural gas to external markets. Net municipal taxes provided $29.4 Million.

Combined Land and Utilities Sales Revenues



The Change in Fund Balance on the Consolidated Statement of Financial Activities represents the total change in all fund balances for the City of Medicine Hat. During 2006 the consolidated fund balances increased by $55.0 Million. This increase is primarily as a result of sales of natural gas.

(d) Consolidated Statement of Changes in Financial Position

The Consolidated Statement of Changes in Financial Position provides a summary of the sources, allocation and consumption of the resources administered by the City in this period. The statement combines operating, capital and reserve fund changes. This information is useful in gaining an understanding of and assessing the City's resource requirements. The statement informs users about the extent to which resources will be required from future revenues to pay for programs and activities of the period.

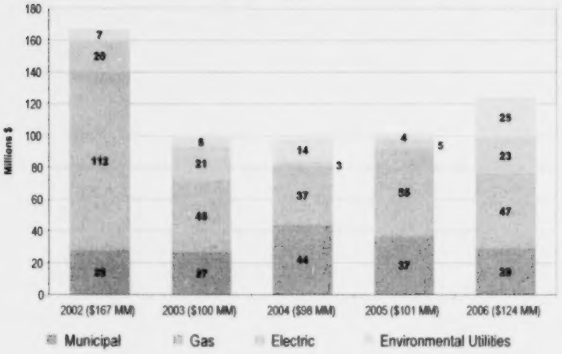
The amount of cash flows arising from operating activities is a key measure of the extent to which the operations of the government have generated sufficient cash flows to maintain the programs and services of the government, invest in new capital assets, repay loans and make new investments without relying on external debt.

During 2006, net cash from operations was $27.8 Million and was used in investing activities. The main application of cash was to acquire financial investments of $58.7 Million.

(e) Consolidated Capital Fund Schedule 1

The Consolidated Capital Fund Schedule provides information on the investment in capital assets during the year and how this investment was financed.

Capital Investment

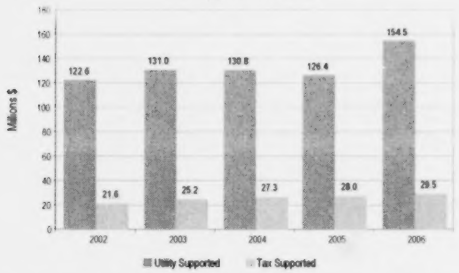


Capital investment during 2006 totaled $124.4 Million. The majority of the funds were spent for gas assets, $46.6 Million, with the most notable expenditures being $18.4 Million for the 2006 Gas Drilling Program. Also significant was $20.6 Million for replacement of two LM2500 Dry Low Emission Turbines for Electric Generation. Municipal Operations spent $29.0 Million. Included in this total is $3.7 Million for mobile equipment, $2.4 Million for machinery and equipment, $1.9 Million for buildings and $12.0 Million for roads in new subdivisions and upgrades to existing roads.

Major sources of capital investment financing in 2006 were:

- Debenture Issues: $ 41.8 Million
- Transfers from Reserves: $ 37.8 Million
- Transfers from Operating: $ 44.7 Million
- Government Grants: $ 3.5 Million
- Developer Levies: $ 2.5 Million
- Sale of Assets: $ 1.8 Million
- Donations and Other: $ 1.7 Million

Long-Term Debt



Over the next few years, City Council's priorities regarding sustainable utilities and sound infrastructure will require continued investment. The 2006 – 2010 Capital Improvement Plan calls for several major expenditures. In particular, the sustainability of the Gas Utility depends upon substantial reinvestments. Over $53 Million is to be invested during 2007 for development of currently owned gas properties with a projected investment of over $46 Million in the following three years. To meet the demand for residential, commercial and industrial development, $76.6 Million is to be invested in the development of land for resale over the next four years. On the municipal side, budgeted capital expenditures over the next two years are $12.7 (2007) and $14.5 (2008), with $58.4 projected for 2009 and 2010. Highlights of the 2007 expenditures are: Fleet Purchases - $3.0 Million, Building Improvements - $2.5 Million, Road Upgrades - $4.8 Million, Waste Water Treatment Plant Upgrades - $7.1 Million, Sewer Line Upgrade - $1.4 Million.

During 2006 the Consolidated Capital Fund Balance increased by $9.3 Million. This change relates primarily to an increase in the Gas Capital Fund balance of $11.7 Million. This represents amounts set aside to complete various 2005 and 2006 capital projects during 2007. The $22.2 Million balance at the conclusion of the year, represents funding for incomplete capital projects funded through operations, reserves or debt, which is maintained in the capital fund to cover the costs of projects that are incomplete at year end.

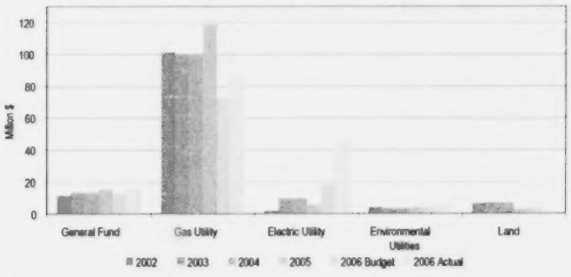
(f) Consolidated Operating Fund Schedule 2

The Consolidated Operating Fund Schedule reports operating revenues for the year segregated by significant types of revenue and also reports on the expenses of the year for Tax Supported, Utilities, and Land and Subdivision Development operations.

Operating activities resulted in excess revenues over expenditures totaling $140.7 Million in 2006. This was the net result of revenues totaling $326.9 Million (budget comparative was $278.1 Million) offset by expenditures totaling $186.2 Million (budget comparative was $200.7 Million). Note that after a transfer to the Capital Fund totaling $44.7 Million and to the Reserve Fund totaling $87.0 Million, the resulting change to the Consolidated Operating Fund balance was a decrease of $3.6 Million. As a result, the closing Operating Fund balance or "consolidated surplus" decreased from $29.5 Million in 2005 to $25.8 Million in 2006.

(i) Revenues

Net Revenue from Operations (Before Capital and Interfund Transfers)



The Gas Utility sales revenue was $143.1 Million against a budget of $112.2 Million. Gas Production average sales price was $5.69 per GJ compared to a budget of $5.57 per GJ, an increase of two

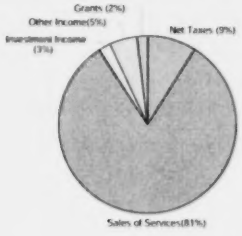
per cent. Gas Production volume for the year was 27.9 Million GJs compared to a budget of 24.4 Million GJs, an increase of 14 per cent due to a more gradual decline in production rates than expected. $73.5 Million has been transferred to the Depletion Reserve to finance the future acquisitions and development of natural gas properties required to ensure an ongoing supply of natural gas to the residents of Medicine Hat.

The Electric Utility reported sales of $72.0 Million, against a budget of $62.9 Million due to favorable market opportunities.

Environmental Utilities considered as a whole, reported sales revenues of $22.3 Million against a budget of $21.0 Million.

Land and Subdivision Development reported $19.2 Million in sales revenues, or 25 per cent lower than budgeted. Servicing delays due to weather conditions resulted in the delay in marketing Southlands 4A and 4B from October 2006 to early 2007.

2006 Consolidated Operating Fund Revenue



Prudent operations of the City's Utilities have allowed the City to maintain attractive rates for its customers. At the same time, the City has been able to direct dividends from the Utilities to offset annual requirements for property taxes. During 2005, City Council approved a plan to have each Utility generate sufficient revenue to cover their cost by 2008, with the exceptions of the Water Utility which will cover costs by 2007, and the Electric Utility which will cover costs by 2010. This plan will ensure equity will not erode after 2010.

(ii) Expenditures

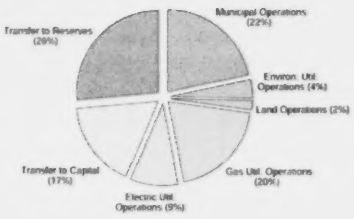
Expenditures for Tax Supported operations increased by $3.7 Million over 2005. Wages and Benefits increased by $3.0 Million over 2005 due to new positions required to meet growth demands in the community and contract settlements. Inflationary factors have also contributed to increased contracted services costs to provide municipal services.

Expenditures for Land and Subdivision Development were less than the budget by $15.3 Million. Lower than budgeted sales revenues resulted in offsetting cost of goods sold to be much lower than budgeted.

Expenditures for the Gas Utility were $6.6 Million higher than budget. Operations and Maintenance Costs were $4.6 Million over budget due to higher than budgeted variable costs (due to increased production volume) as well as higher industry costs for trucking and water disposal. Also, purchased gas was $1.6 Million over budget due to higher than budgeted volume purchased from third party producers.

In addition to the $186.2 Million spent in total on all operations in 2006, another $44.7 Million and $87.1 Million were transferred to the capital and reserve funds respectively, and $12.6 Million went to debt repayment for a total of $330.6 Million in expenditures and transfers.

Use of Operating Funds 2006 ($330.6 Million)



Tax Supported Policy directs that special one-time grants and any surplus in the Tax Supported Operating Fund, not required to maintain the Operating Fund target balance of seven per cent of the prior year budgeted gross expenditures, be transferred to the Infrastructure Reserve.

The Gas and Electric Utility also follow the policy of maintaining an operating fund of seven per cent of the prior year's budgeted gross expenditures before transferring operating surplus to reserves.

As a result of this policy the Tax Supported Operating Fund increased $0.4 Million, the Gas Operating Fund increased $0.5 Million and the Electric Operating Fund increased by $0.3 Million.

(g) Consolidated Reserve Fund Schedule 3

The Consolidated Reserve Fund Schedule reports the net changes to the reserve fund and the source of increases or decreases to this fund. Reserves are the result of appropriations of surplus and budgeted transfers from operating funds. Reserves are established at the discretion of Council and are set aside to fund future operating and capital expenditures.

There are five major reserves: the Gas Depletion Reserve which is intended for future acquiring, exploring for and developing natural gas reserves, the Electric Facility and Equipment Reserve which is to provide funding for replacement of depreciated assets and investment in new Electric Utility assets, the Nature's Best Reserve for investment in alternative energy and education, the

Fleet Replacement Reserve, and the Infrastructure Reserve. The last two reserves are used to fund fleet purchases and future municipal infrastructure improvements, thereby reducing debenture-borrowing requirements.

During 2006 $87.1 Million was transferred from the operating fund to reserves. The Gas Utility budget included a transfer of $38.2 Million to the Gas Depletion Reserve. The actual transfer was $73.5 Million (including Equity in Subsidiary). This increase relates to higher wholesale commodity prices and a production volume increase over budget. Tax Supported operations budgeted a transfer of $7.3 Million while the actual transfer was $12.3 Million.

In 2004 a policy was approved that will see all municipal capital expenditures valued at less than $1 Million financed through the Infrastructure Reserve to a maximum of $6 Million annually. The goal is to limit external borrowing for capital projects to those projects costing in excess of $1 Million. In the long term, this policy will have the effect of reducing the amount of municipal debt outstanding. In 2006 $3.3 Million dollars was borrowed from this reserve for capital expenditures.

(h) Consolidated Schedule of Equity in Capital Assets Schedule 4

The Consolidated Schedule of Equity in Capital Assets reports the changes in equity balances for capital assets. This schedule supports the disclosures in the operating, capital and reserve funds. Overall equity in capital assets increased by $29.4 Million over 2005.

(i) Consolidated Taxes Levied Schedule 5

The Consolidated Taxes Levied schedule details total taxes received from all sources and the amount of requisitions collected on behalf of the School Districts, Cypress View Foundation and Business Exchange Levies. Net taxes for 2006 were $29.4 Million as compared to a budget of $29.2 Million.

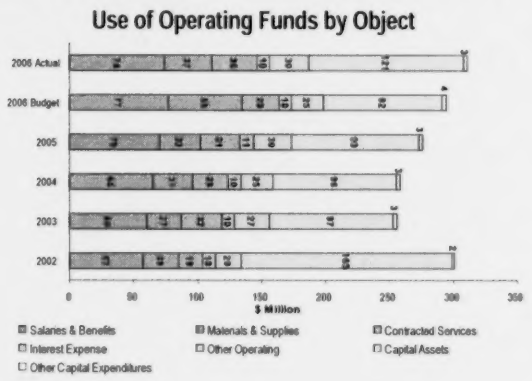
(j) Consolidated Government Transfers Schedule 6

The Consolidated Government Transfers schedule details the total government transfers received for operating and capital activities and the purpose of these transfers.

In 2006 the City received $9.7 Million in Government Grants. Some of the notable transfers related to conditional transfers such as the Municipal Assistance Grant $0.9 Million, the Police Enforcement Grant $1.0 Million, Basic Capital Grant for Transportation and Road and Sidewalk Rehabilitation $2.7 Million, $2.0 Million for Flood Assistance, and the Federal Airport Capital Assistance Program for capital projects related to safety, asset protection and operating cost reductions $1.0 Million.

(k) Consolidated Expenditures by Object Schedule 7

The Consolidated Expenditures by Object schedule details actual and budgeted expenditures by type of expenditure:



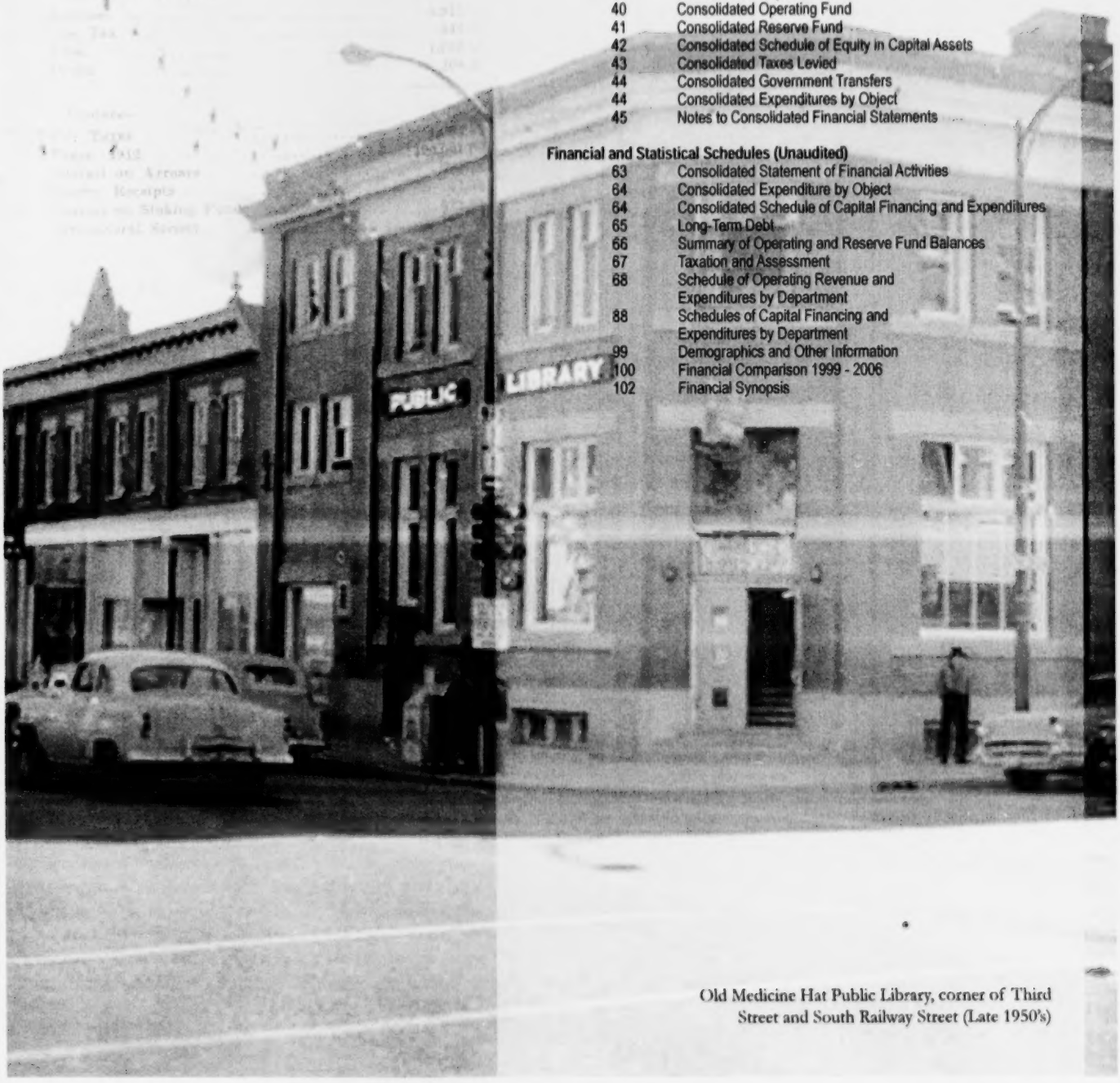
Audited Financial Statements

Audited Financial Statements

35	Management's Report
35	Auditors' Report
36	Consolidated Statement of Financial Position
37	Consolidated Statement of Financial Activities
38	Consolidated Statement of Changes in Financial Position
39	Consolidated Capital Fund
40	Consolidated Operating Fund
41	Consolidated Reserve Fund
42	Consolidated Schedule of Equity in Capital Assets
43	Consolidated Taxes Levied
44	Consolidated Government Transfers
44	Consolidated Expenditures by Object
45	Notes to Consolidated Financial Statements

Financial and Statistical Schedules (Unaudited)

63	Consolidated Statement of Financial Activities
64	Consolidated Expenditure by Object
64	Consolidated Schedule of Capital Financing and Expenditures
65	Long-Term Debt
66	Summary of Operating and Reserve Fund Balances
67	Taxation and Assessment
68	Schedule of Operating Revenue and Expenditures by Department
88	Schedules of Capital Financing and Expenditures by Department
99	Demographics and Other Information
100	Financial Comparison 1999 - 2006
102	Financial Synopsis



Old Medicine Hat Public Library, corner of Third Street and South Railway Street (Late 1950's)

Management's Report

The integrity, relevance and comparability of the data in the accompanying consolidated financial statements are the responsibility of Management.

The consolidated financial statements are prepared by management in accordance with Canadian generally accepted accounting principles established by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants. They necessarily include some amounts that are based on the best estimates and judgments of Management. Financial data elsewhere in the report is consistent with that in the financial statements.

Management has developed and maintains an extensive system of internal controls that provide reasonable assurance that all transactions are appropriately authorized, that assets are properly accounted for and safeguarded, that all transactions are accurately recorded and that financial records are reliable for preparation of financial statements. As well, it is the policy of the City to maintain the highest standard of ethics in all its activities.

KPMG LLP, our independent auditors, have been appointed to express a professional opinion on the consolidated financial statements. Their report follows.

City Council, through its Audit Committee comprised of three aldermen, oversees management's responsibilities for financial reporting. The Audit Committee meets regularly with management and independent auditors to discuss auditing and reporting on financial matters and to assure that management is carrying out its responsibilities. The auditors have full and free access to the Audit Committee and management.

Chief Administrative Officer

Acting Commissioner of Corporate Services

March 7, 2007

Auditors' Report

To His Worship The Mayor and Members of Council of the City of Medicine Hat:

We have audited the consolidated statement of financial position of the City of Medicine Hat as at December 31, 2006, and the consolidated statements of financial activities and cash flows for the year then ended. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the City of Medicine Hat as at December 31, 2006 and the results of its financial activities and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants
Lethbridge, Canada
March 7, 2007

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2006
(In thousands of dollars)

	2006	2005	2004
FINANCIAL ASSETS			
Cash and Temporary Investments (Note 2)	$ 17,074	$ 16,965	$ 5,416
Accounts Receivable (Net of Allowances) (Note 3)	46,308	39,449	33,192
Advances to Subsidiary (Note 4)	17,958	18,978	20,448
Inventories for Resale (Note 5)	27,696	22,177	20,022
Investments, Loans and Advances (Note 6)	237,597	178,850	136,301
Deposits and Other Assets (Note 7)	1,761	3,222	2,308
Long Lived Asset - Retirement Obligation	21,795	19,403	19,828
Prepaid Expenses (Note 9)	1,152	1,068	934
TOTAL FINANCIAL ASSETS	371,341	300,112	238,449
LIABILITIES			
Bank Indebtedness	2,248	-	1,803
Trade Accounts Payable	20,935	12,998	16,105
Accrued Liabilities (Note 11)	42,474	43,654	29,108
Long-Term Debt - Alberta Capital Finance Authority (Note 13)	183,701	154,481	157,927
Other Long-Term Debt (Note 13,14)	270	270	276
Loss in Subsidiary (Note 8)	7,310	8,086	9,798
Other Long-Term Liabilities (Note 15, 22)	54,002	44,539	39,285
TOTAL LIABILITIES	310,940	264,028	254,302
NET FINANCIAL ASSETS	60,401	36,084	(15,853)
PHYSICAL ASSETS			
Inventories for Consumption	9,881	8,422	9,275
Capital Assets (Note 10)	963,153	904,538	867,318
NET ASSETS	$ 1,033,435	$ 949,044	$ 860,740
MUNICIPAL POSITION			
FUND BALANCES			
Operating Fund (Schedule 2) (Note 1, 16)	$ 25,820	$ 29,454	$ 27,450
Capital Fund (Schedule 1) (Note 1, 17)	22,234	12,884	24,375
Reserve Fund (Schedule 3) (Note 1, 18)	206,199	156,919	99,801
TOTAL FUND BALANCES	254,253	199,257	151,626
Equity in Capital Assets (Schedule 4)	779,182	749,787	709,114
NET MUNICIPAL POSITION	**$ 1,033,435**	**$ 949,044**	**$ 860,740**

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2006
(In thousands of dollars)

	2006 BUDGET (Unaudited)	2006	2005	2004
REVENUE				
NET TAXES (Schedule 5)	$ 29,214	$ 29,403	$ 25,643	$ 22,768
SALE OF SERVICES				
General Government	6,520	6,998	6,029	5,632
Gas	112,211	143,133	161,387	129,817
Electric	62,913	72,057	55,856	58,399
Water	9,140	9,479	7,636	7,540
Sewer	7,286	7,813	6,954	6,296
Solid Waste	4,543	4,970	4,908	4,543
Land and Subdivision Development	25,675	19,184	17,165	21,948
OTHER INCOME				
Investment	6,788	10,286	6,875	5,496
Income (Loss) from Subsidiary (Note 8)	(774)	776	1,712	181
Licences, Fines and Penalties	5,067	5,714	5,482	4,936
Insurance Recoveries	76	184	157	107
Developers Levies	1,302	2,525	3,187	1,932
Proceeds from Sale of Assets	-	4,030	1,227	1,862
Other	6,356	10,166	11,586	11,160
GOVERNMENT TRANSFERS (Schedule 6)				
Municipal Assistance Grant	875	875	875	875
Grants - Federal and Provincial	6,071	6,841	8,315	12,193
Debenture Interest Subsidy	5	2	19	47
Flood Recoveries	-	2,007	2,110	-
TOTAL REVENUE	283,268	336,443	327,123	295,732
EXPENDITURES (Schedule 7)				
General Government	87,436	100,232	104,681	106,469
Gas	113,611	111,963	113,620	89,637
Electric	44,130	55,025	34,285	30,472
Water	12,784	21,374	8,344	6,880
Sewer	10,510	12,222	7,282	14,849
Solid Waste	5,173	3,551	3,879	4,067
Land and Subdivision Development	21,653	6,298	3,948	5,227
TOTAL EXPENDITURES	295,297	310,665	276,039	257,601
NET REVENUES (EXPENDITURES)	(12,029)	25,778	51,084	38,131
FINANCING				
Debt Issued	28,042	41,802	9,083	13,782
Debt Repayment	(18,021)	(12,584)	(12,536)	(11,827)
CHANGE IN FUND BALANCE	(2,008)	54,996	47,631	40,086
FUND BALANCES AT BEGINNING OF YEAR	199,257	199,257	151,626	111,540
FUND BALANCES AT END OF THE YEAR	**$ 197,249**	**$ 254,253**	**$ 199,257**	**$ 151,626**

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 2006

(In thousands of dollars)

	2006	2005	2004
CASH PROVIDED BY (USED IN):			
OPERATIONS			
Net Revenue	$ 25,778	$ 51,084	$ 38,131
Deduct Items Not Affecting Cash:			
(Income) Loss From Subsidiary	(776)	(1,712)	(181)
Change in Non Cash Items:			
Decrease (Increase) in Accounts Receivable	(6,859)	(6,257)	(6,533)
Decrease (Increase) in Inventory for Resale	(5,519)	(2,155)	(2,222)
Decrease (Increase) in Deposits and Other Assets	1,461	(914)	(1,017)
Decrease (Increase) in Prepaid Expenses	(84)	(134)	(319)
Decrease (Increase) in Long Lived Assets	(2,392)	425	(6,068)
Increase (Decrease) in Accounts Payable and Accrued Liabilities	6,757	11,437	5,209
Increase (Decrease) in Other Long-Term Liabilities	9,463	5,254	9,681
NET CASH FROM OPERATIONS	27,829	57,028	36,681
INVESTING			
Decrease (Increase) in Investments, Loans and Advances	(58,747)	(42,546)	(43,025)
Decrease (Increase) in Restricted Cash and Temporary Investments	(733)	(9,478)	788
Decrease (Increase) in Advances to Subsidiary	1,020	1,470	822
Decrease (Increase) in Inventories	(1,459)	853	(536)
NET CASH USED BY INVESTING	(59,919)	(49,701)	(41,951)
FINANCING			
Debt Issued	41,802	9,083	13,782
Debt Repayment	(12,584)	(12,536)	(11,827)
NET CASH FROM (USED BY) FINANCING	29,218	(3,453)	1,955
CHANGE IN CASH	(2,872)	3,874	(3,315)
CASH AT BEGINNING OF YEAR	2,190	(1,684)	1,631
CASH AT END OF YEAR	**$ (682)**	**$ 2,190**	**$ (1,684)**
Cash consists of the following:			
Cash and Temporary Investments	$ 17,074	$ 16,965	$ 5,416
Less: Restricted Portion of Cash and Temporary Investments	(15,508)	(14,775)	(5,297)
Bank Indebtedness	(2,248)	-	(1,803)
	$ (682)	**$ 2,190**	**$ (1,684)**

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED CAPITAL FUND
SCHEDULE 1
FOR THE YEAR ENDED DECEMBER 31, 2006
(In thousands of dollars)

	2006 BUDGET (Unaudited)	2006	2005	2004
REVENUE				
Government Transfers	$ 3,038	$ 3,465	$ 5,206	$ 9,360
Developers Levies	1,302	2,525	3,187	1,932
Proceeds from Sale of Assets	-	1,785	55	1,862
Other	835	1,723	4,218	4,913
TOTAL REVENUE	5,175	9,498	12,666	18,067
EXPENDITURES				
General Government	16,083	28,960	37,192	43,758
Gas	54,828	46,606	54,715	37,354
Electric	10,825	23,945	4,196	3,422
Water	6,957	17,453	3,249	2,046
Sewer	4,776	7,166	1,465	10,609
Solid Waste	1,110	209	427	1,017
Land	-	97	172	5
TOTAL EXPENDITURES	94,579	124,436	101,416	98,211
DEFICIENCY OF REVENUE OVER EXPENDITURES	**(89,404)**	**(114,938)**	**(88,750)**	**(80,144)**
NET INTERFUND TRANSFERS				
Reserve Fund	46,788	37,792	47,063	52,733
Operating Fund	14,574	44,694	21,113	29,762
DEBT TRANSFERS				
Debt Issued	28,042	41,802	9,083	13,782
CHANGE IN CAPITAL FUND	-	9,350	(11,491)	16,133
CAPITAL FUND AT BEGINNING OF YEAR	12,884	12,884	24,375	8,242
CAPITAL FUND AT END OF YEAR	**$ 12,884**	**$ 22,234**	**$ 12,884**	**$ 24,375**

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED OPERATING FUND
SCHEDULE 2
FOR THE YEAR ENDED DECEMBER 31, 2006
(In thousands of dollars)

	2006 BUDGET (Unaudited)	2006	2005	2004
REVENUE				
NET TAXES (Schedule 5)	$ 29,214	$ 29,403	$ 25,643	$ 22,768
SALE OF SERVICES				
General Government	6,520	6,998	6,029	5,632
Gas	112,211	143,133	161,387	129,817
Electric	62,913	72,057	55,856	58,399
Water	9,140	9,479	7,636	7,540
Sewer	7,286	7,813	6,954	6,296
Solid Waste	4,543	4,970	4,908	4,543
Land and Subdivision Development	25,675	19,184	17,165	22,081
OTHER INCOME				
Investment Income	6,788	10,286	6,875	5,496
Income (Loss) from Subsidiary (Note 9)	(774)	776	1,712	181
Licences, Fines and Penalties	5,067	5,714	5,482	4,804
Insurance Recovery	76	184	157	107
Other	5,521	10,691	8,538	6,250
GOVERNMENT TRANSFERS				
Municipal Assistance Grant	875	875	875	875
Grants - Federal and Provincial	3,033	3,376	3,112	2,832
Debenture Interest Subsidy	5	2	19	47
Flood Assistance	-	2,007	2,108	-
TOTAL REVENUE	278,093	326,948	314,456	277,668
EXPENDITURES				
General Government	71,353	71,161	67,471	62,737
Gas	58,783	65,356	48,623	52,284
Electric	33,305	31,080	30,089	27,051
Water	5,827	3,921	5,095	4,833
Sewer	5,734	5,055	5,817	4,241
Solid Waste	4,063	3,342	3,452	3,050
Land and Subdivision Development	21,653	6,317	14,075	5,197
TOTAL EXPENDITURES	200,718	186,232	174,622	159,393
EXCESS OF REVENUE OVER EXPENDITURES	**77,375**	**140,716**	**139,834**	**118,275**
NET INTERFUND TRANSFERS				
Capital Fund	(19,369)	(44,694)	(21,113)	(29,762)
Debt Repayment	(12,979)	(12,584)	(12,536)	(11,827)
Reserve Fund	(45,514)	(87,072)	(104,181)	(74,881)
TOTAL NET INTERFUND TRANSFERS	(77,862)	(144,350)	(137,830)	(116,470)
CHANGE IN OPERATING FUND	(487)	(3,634)	2,004	1,805
OPERATING FUND AT BEGINNING OF YEAR	29,454	29,454	27,450	25,645
OPERATING FUND AT END OF YEAR	**$ 28,967**	**$ 25,820**	**$ 29,454**	**$ 27,450**

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED RESERVE FUND
SCHEDULE 3
FOR THE YEAR ENDED DECEMBER 31, 2006
(In thousands of dollars)

	2006 BUDGET (Unaudited)	2006	2005	2004
INTERFUND TRANSFERS				
Operating Fund Transfer	$ 45,514	$ 87,072	$ 104,181	$ 74,881
Capital Fund Transfer	(46,788)	(37,792)	(47,063)	(52,733)
CHANGE IN RESERVE FUND	**(1,274)**	**49,280**	**57,118**	**22,148**
RESERVE FUND AT BEGINNING OF YEAR	156,716	156,919	99,801	77,653
RESERVE FUND AT END OF YEAR (Note 18)	**$ 155,442**	**$ 206,199**	**$ 156,919**	**$ 99,801**

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED SCHEDULE OF EQUITY IN CAPITAL ASSETS
SCHEDULE 4
FOR THE YEAR ENDED DECEMBER 31, 2006
(In thousands of dollars)

	2006 BUDGET (Unaudited)	2006	2005	2004
ACQUISITION OF CAPITAL ASSETS				
General Government	$ 13,310	$ 25,620	$ 35,251	$ 41,889
Gas	54,043	45,676	54,505	37,047
Electric	10,982	23,945	4,196	3,422
Water	6,957	17,461	3,249	2,046
Sewer	4,776	7,162	1,465	10,609
Solid Waste	1,110	206	427	467
Land and Subdivision Development	-	97	172	5
	91,178	120,167	99,265	95,485
DISPOSAL OF CAPITAL ASSETS				
General Government	-	(2,771)	(12,601)	(2,252)
Gas	-	(1,791)	(60)	(1,967)
Electric	-	(8,735)	(750)	-
Water	-	(18)	(1)	-
Solid Waste	-	-	-	(18)
	-	(13,315)	(13,412)	(4,237)
DEPRECIATION OF UTILITIES ASSETS (Note 10)				
Gas	(36,741)	(34,071)	(35,720)	(31,465)
Electric	(9,531)	(10,324)	(9,143)	(9,060)
Water	(1,734)	(1,767)	(1,717)	(1,692)
Sewer	(1,326)	(1,777)	(1,783)	(1,690)
Solid Waste	(446)	(300)	(268)	(243)
Land and Subdivision Development	-	-	-	(4)
	(49,778)	(48,239)	(48,631)	(44,154)
CAPITAL FINANCING				
Debt Issued	(27,422)	(41,802)	(9,083)	(13,782)
Debt Repayment	12,979	12,584	12,534	11,827
	(14,443)	(29,218)	3,451	(1,955)
CHANGE IN EQUITY BALANCE	26,957	29,395	40,673	45,139
EQUITY IN CAPITAL ASSETS AT BEGINNING OF YEAR	749,787	749,787	709,114	663,975
EQUITY IN CAPITAL ASSETS AT END OF YEAR	**$ 776,744**	**$ 779,182**	**$ 749,787**	**$ 709,114**

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED TAXES LEVIED
SCHEDULE 5
FOR THE YEAR ENDED DECEMBER 31, 2006
(In thousands of dollars)

	2006 BUDGET (Unaudited)	2006	2005	2004
TAXATION				
Real Property Taxes	$ 48,369	$ 48,704	$ 44,366	$ 40,880
Linear Property Taxes	494	494	302	291
Government Grants in Lieu of Property Taxes	1,219	1,219	1,187	1,230
Special Assessments and Local Improvements	376	369	362	340
	50,458	50,786	46,217	42,741
REQUISITIONS				
Alberta School Foundation	16,118	16,253	15,491	15,268
Catholic Board Of Education	3,003	3,005	3,029	2,891
Cypress View Foundation	408	412	398	234
Medicine Hat Public Library	1,613	1,613	1,556	1,480
Business Exchange Levies	102	100	100	100
	21,244	21,383	20,574	19,973
NET TAXES	**$ 29,214**	**$ 29,403**	**$ 25,643**	**$ 22,768**

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED GOVERNMENT TRANSFERS
SCHEDULE 6
FOR THE YEAR ENDED DECEMBER 31, 2006
(In thousands of dollars)

	2006 BUDGET (Unaudited)	2006	2005	2004
FEDERAL TRANSFERS				
Shared-Cost Agreements and Grants	$ 432	$ 1,447	$ 214	$ 1,636
	432	1,447	214	1,636
PROVINCIAL TRANSFERS				
Municipal Assistance Grant	875	875	875	875
Police Enforcement Grant	875	961	872	820
Shared-Cost Agreements and Grants	4,764	4,433	7,229	9,738
Flood Assistance	-	2,007	2,110	-
Debenture Interest Subsidy	5	2	19	46
	6,519	8,278	11,105	11,479
TOTAL GOVERNMENT TRANSFERS	**$ 6,951**	**$ 9,725**	**$ 11,319**	**$ 13,115**

CONSOLIDATED EXPENDITURES BY OBJECT
SCHEDULE 7
FOR THE YEAR ENDED DECEMBER 31, 2006
(In thousands of dollars)

	2006 BUDGET (Unaudited)	2006	2005	2004
EXPENDITURES				
Salaries, Wages and Benefits	$ 77,216	$ 73,963	$ 69,906	$ 64,902
Contracted and General Services	29,317	35,769	31,199	27,946
Materials, Goods and Utilities	57,670	37,193	32,370	30,779
Provisions for Allowances	220	219	23	232
Bank Charges and Short-Term Interest	63	81	74	44
Interest on Long-Term Debt	10,372	9,969	10,435	10,379
Capital Assets Acquired	91,806	121,093	99,475	95,484
Other Operating Expenditures	25,271	28,450	30,039	24,505
Grants and Other Transfers	589	585	578	603
Other Capital Expenditures	2,773	3,343	1,940	2,727
TOTAL EXPENDITURES	**$ 295,297**	**$ 310,665**	**$ 276,039**	**$ 257,601**

The accompanying notes are an integral part of these financial statements.

NOTES
FOR THE YEAR ENDED DECEMBER 31, 2006
(In thousands of dollars)

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the City of Medicine Hat (the City) are the representations of management prepared in accordance with generally accepted accounting principles for local governments established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. Significant aspects of the accounting policies adopted by the City of Medicine Hat are as follows:

(A) REPORTING ENTITY

The consolidated financial statements reflect the assets, liabilities, revenues and expenditures, changes in fund balances and changes in financial position of the reporting entity. This entity, except for government business enterprises which are accounted for by the modified equity basis of accounting, includes all of the organizations that are owned or controlled by the municipality and are, therefore, accountable to City Council for the administration of their financial affairs and resources. They include the following:

1. City General - activities associated with the provision of conventional municipal services including General Administrative Services, Corporate Services (Finance, Human Resources, Information and Computer Services, Corporate Asset Management) Public Services (Fire, Cultural Development, Police, Disaster Services, Community Development, Parks and Outdoor Recreation, and 9-1-1 Communications) and Infrastructure and Development (Municipal Works, Municipal Engineering, Planning and Development, and Environmental Utilities).

2. Energy Division - self supporting activities which provide Electricity Generation and Distribution and Natural Gas Production and Distribution. Land and Subdivision Development operations are also treated as a utility for financial statement purposes.

School administration is completely independent of City Council and is subject to control by the Provincial Government pursuant to the provisions of the *School Act*. The only relationship between the School Boards and the City is that the City is obligated to provide funds raised by taxes deemed necessary by the Province.

The schedule of taxes levied includes operating requisitions for the Alberta School Foundation, Catholic Board of Education, Cypress View Foundation, and amounts collected for the City Centre Development Agency that are not part of the municipal reporting entity.

The statements exclude trust assets that are administered for the benefit of external parties. A schedule of these trust assets is included in Note 19.

Interdepartmental and organizational transactions and balances are eliminated.

Allied Oil & Gas Corp., a wholly-owned subsidiary of the City, is accounted for using the modified equity basis, consistent with generally accepted accounting principles for government enterprises.

(B) FUND ACCOUNTING

Municipal funds for General, Environmental Utilities, Energy Division and Land and Subdivision Development consist of the operating, capital and reserve funds. Proceeds from sales of land are recorded as operating fund revenues.

(C) BASIS OF ACCOUNTING

1. Revenues

The accrual basis of accounting recognizes revenue in the period in which the transactions or events occurred that gave rise to the revenues.

Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purpose specified.

2. **Expenditures**

   Expenditures are recognized in the period the goods and services are acquired and a liability is incurred or transfers are due, with the exception of pension expenditures as disclosed in Note 1(H).

(D) GOVERNMENT TRANSFERS

Government transfers are recognized in the consolidated financial statements as revenues in the period that the events giving rise to the transfer occurred, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made.

(E) INVESTMENTS

Portfolio investments are comprised of investments in qualifying instruments as defined in the City's Investment Policy 0110. Portfolio investments purchased by the City of Medicine Hat are recorded at cost. The cost of investments includes the applicable amortization of premiums and discounts using the present value amortization method. When there has been a loss in value that is other than a temporary decline, the respective investment is written down to recognize the loss.

Investments in government business enterprises are accounted for using the modified equity basis of accounting. Under this basis, the accounting principles of the government business enterprises are not adjusted to conform to the City's accounting policies and inter-organizational transactions and balances are not eliminated.

(F) INVENTORIES

Inventories of materials and supplies, inventories for resale and gas in storage are valued at the lower of cost or net realizable value with cost determined by the average cost method.

(G) LAND FOR RESALE

Land held for resale is recorded at the lower of cost or net realizable value. The cost of land held for resale includes costs related to land acquisition and improvements required to prepare the land for servicing such as clearing, stripping and levelling charges. Related development costs incurred to provide infrastructure such as water, sewer, gas, electric, roads, sidewalks and street lighting are recorded as capital assets under their respective function.

(H) PENSION EXPENDITURE

The City participates in a multi-employer defined benefit pension plan wherein contributions for current and past service pension benefits are recorded as expenditures in the year in which they become due. The plan is accounted for as a defined contribution plan.

(I) CAPITAL ASSETS

1. The City has valued General Fund capital assets purchased prior to December 31, 1978, at the net cost to the City and assets purchased and developed subsequent to that date at full cost.

2. Prior to January 1, 1989, all capital expenditures for major repair and maintenance projects were recorded as increases to capital assets. Since that date, capital expenditures of this nature are expensed in the year the expenditure is incurred. Major repairs and maintenance costs expensed in 2006 - $3,343 (2005 $1,940).

Capital Assets are reported as expenditures in the period they are acquired.

Capital Assets are reported at cost except for donated assets, which are recorded at estimated fair market value.

The City follows the full cost method of accounting for its petroleum and natural gas properties, whereby all costs associated with acquisition and development of petroleum and natural gas reserves are capitalized. Such costs include those related to lease acquisition, geological and geophysical activities, cost of drilling both productive and non-productive wells, equipment cost and technical consulting costs directly related to development. The City does not capitalize interest or administrative costs.

Proceeds from the disposition of petroleum and natural gas properties are accounted for as adjustments to the net book value of resource properties, with no gain or loss recognized, unless the disposition would significantly alter the rate of depletion.

Government contributions for the acquisition of capital assets are recorded as a revenue source in the Consolidated Statement of Financial Activities and Consolidated Capital Fund - Schedule 1, and do not reduce the related capital assets costs.

Capital assets for municipal purposes are not depreciated.

(J) PREPAID LOCAL IMPROVEMENT CHARGES

Construction and borrowing costs associated with local improvement projects are recovered through annual special assessments during the period of the related borrowings. These levies are collectable from property owners for work performed by the municipality.

(K) DEPRECIATION

Capital assets in the Electric Utility, Water Utility, Sewer Utility, Solid Waste Utility, Land, and non-resource plant, property and equipment in the Gas Utility are depreciated on a straight line basis over their estimated useful lives. Depreciation is not charged to operations but Plant, Property and Equipment and Equity in Capital Assets have been reduced to reflect the depreciated balance of capital assets. The following rates have been used for this calculation:

Engineering Structures	2.0% to 15.0%
Buildings	2.5% to 3.0%
Machinery, Equipment and Furnishings	5.0% to 20.0%

(L) DEPLETION

Oil and gas properties are depleted following the CICA Accounting Guideline AcG-16 "Oil and Gas Accounting – Full Cost." Capitalized costs are depreciated on the unit-of-production method based on estimated proven reserves as determined by external engineers. For purposes of this calculation, oil is converted to gas on an energy equivalent basis (1 Bbl: 6.29 Mcf). The costs of unproven properties are excluded from this calculation until proven reserves are established or until impairment occurs.

This guideline requires the cost centres be tested for recoverability using discounted future cash flows from proven reserves which are determined by using forward indexed prices. When the carrying amount of a cost centre is not recoverable, the cost centre would be written down to its fair value. Fair values are estimated using accepted present value techniques which incorporate risks and other uncertainties when determining expected cash flows. No write down was required for 2006.

(M) ALLOWANCES

Allowances for financial asset valuations are netted against the related asset. Increases in allowances are recorded as an expenditure.

(N) OPERATING FUND

The operating fund represents the amounts available to offset future operational revenue requirements.

(O) CAPITAL FUND

The Capital fund represents amounts available to finance capital projects.

(P) RESERVE FUND

Reserves are established at the discretion of Council to set aside funds for future operating and capital expenditures. Transfers to and/or from reserves related to capital and operating fund activities are reflected on the Consolidated Schedules for the Capital, Operating and Reserve Funds.

(Q) EQUITY IN CAPITAL ASSETS

Equity in Capital Assets represents the net investment in total capital assets, after deducting the portion financed through long-term debt.

(R) JOINT VENTURE ACCOUNTING

Some of the City's production activities related to oil and gas are contracted with other companies. These statements reflect only the City's proportionate interest in such activities.

(S) USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles for municipal governments established by the Canadian Institute of Chartered Accountants requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenditures during the period. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates.

Amounts recorded for depletion and amounts used for the ceiling test calculations are based on estimates of oil and natural gas reserves and future costs required to develop those reserves. The City's reserve estimates are reviewed every three years, or upon major acquisition, by independent engineering firms. The last reserve analysis was carried out as of December 31, 2006. By their nature, these estimates of reserves and the related future cash flows are subject to measurement uncertainty, and the impact on the financial statements of future periods may be material.

(T) OVER-LEVIES AND UNDER-LEVIES

Over-levies and under-levies arise from the difference between the actual levy made to cover each requisition and the actual amount requisitioned.

If the actual levy exceeds the requisition, the over-levy is accrued as a liability and property tax revenue is reduced. Where the actual levy is less than the requisition amount, the under-levy is accrued as a receivable and as property taxes.

Requisition tax rates in the subsequent year are adjusted for any over-levies or under-levies of the prior year.

(U) ASSET RETIREMENT OBLIGATION

The City records the fair value of its petroleum and natural gas asset retirement obligation as a liability in the period in which it incurs a legal obligation associated with the retirement of tangible long-lived petroleum and natural gas assets that result from the acquisition, construction, development, and normal use of petroleum and natural gas assets. The associated asset retirement costs are capitalized as part of the carrying amount of the long-lived assets and depleted and depreciated using the unit of

production method over estimated gross proven reserves. Subsequent to the initial measurement of the asset retirement obligation, the obligation is adjusted at the end of each year to reflect the passage of time and changes in the estimated future cash flows underlying the obligation.

The City is subject to regulations requiring the repair, removal and disposal of friable asbestos. The obligation, under these regulations, meets the definition of a conditional asset retirement obligation. As a result of the longevity of the City's facilities, due in part to the City's maintenance procedures, and the fact that the City does not have plans for major changes that would require the removal of asbestos, the timing of the removal of asbestos in the City's facilities is indeterminate as at December 31, 2006. As a result, the City is currently unable to estimate the fair value of its asbestos removal and disposal obligation. Therefore, expenditures are recorded in accounts as they are incurred.

(V) LANDFILL CLOSURE AND POST-CLOSURE LIABILITY

Pursuant to the Alberta Environmental Protection and Enhancement Act, the City is required to fund the closure of its landfill site and provide for post-closure care of the facility. Closure and post-closure activities include the final clay cover and landscaping, as well as surface and ground water monitoring, leachate control, and visual inspection. This requirement is being provided for over the estimated remaining life of the landfill site based on usage.

(W) TANGIBLE CAPITAL ASSETS

The Public Sector Accounting Board (PSAB) issues standards and guidance with respect to matters of accounting in the public sector. PSAB issues such standards and guidance to serve the public interest. PSAB has issued PS 3150 – Tangible Capital Assets, which directs that local governments will be required to disclose information about tangible capital assets and amortize the cost of these assets, beginning with the 2009 reporting year.

Tangible Capital Assets for Utility Operations are amortized but this practice has not been followed for Municipal Operations. To ensure that the City is able to comply with the Tangible Capital Asset Standards with respect to Municipal Operations the Finance Department has set up a project team which will be responsible for meeting these requirements.

NOTE 2: CASH AND TEMPORARY INVESTMENTS

	2006	2005	2004
Cash	$ 1,566	$ 2,190	$ 119
Temporary Investments	15,508	14,775	5,297
TOTAL CASH AND TEMPORARY INVESTMENTS	**$ 17,074**	**$ 16,965**	**$ 5,416**

The temporary investments represent a restricted amount for the Alberta Cities Transportation Program and Alberta Municipal Infrastructure project, held exclusively for eligible capital projects.

NOTES
FOR THE YEAR ENDED DECEMBER 31, 2006
(In thousands of dollars)

NOTE 3: ACCOUNTS RECEIVABLE

(A) TAXES AND BUSINESS IMPROVEMENTS LEVIES RECEIVABLE

	2006	2005	2004
Current Taxes Receivable	$ 630	$ 417	$ 598
Arrears Taxes Receivable	187	152	170
City Centre Development Agency	4	2	5
Less: Allowance for Tax Adjustments	(116)	(118)	(122)
SUB-TOTAL	**$ 705**	**$ 453**	**$ 651**

(B) ACCOUNTS RECEIVABLE

	2006	2005	2004
Trade Accounts Receivable	$ 45,914	$ 39,274	$ 33,277
Less: Allowance for Doubtful Accounts	(311)	(278)	(736)
SUB-TOTAL	$ 45,603	$ 38,996	$ 32,541
TOTAL ACCOUNTS RECEIVABLE	$ 46,308	$ 39,449	$ 33,192

NOTE 4: ADVANCES TO SUBSIDIARY

	2006	2005	2004
Unsecured, non-interest bearing advances with no fixed terms of repayment	$ 111	$ 131	$ 101
Unsecured note, bearing interest at prime plus 1% due on demand	17,847	18,847	20,347
TOTAL	**$ 17,958**	**$ 18,978**	**$ 20,448**

NOTE 5: INVENTORIES FOR RESALE

	2006	2005	2004
Concessions	$ 128	$ 144	$ 109
Gas in Storage	4,565	3,853	3,381
Land and Property	23,003	18,180	16,532
TOTAL	**$ 27,696**	**$ 22,177**	**$ 20,022**

NOTES
FOR THE YEAR ENDED DECEMBER 31, 2006
(In thousands of dollars)

NOTE 6: INVESTMENTS, LOANS AND ADVANCES

	2006		2005		2004	
	Cost	Market Value	Cost	Market Value	Cost	Market Value
Federal Government and Agencies	$ 15,892	$ 16,014	$ 19,948	$ 20,716	$ 16,777	$ 17,452
Provincial Government and Agencies	70,117	71,149	62,211	63,112	40,367	41,653
Canadian Banks	60,151	60,334	37,968	38,130	14,041	14,618
Others	91,437	91,473	58,723	58,652	65,116	65,216
TOTAL	**$ 237,597**	**$ 238,970**	**$ 178,850**	**$ 180,610**	**$ 136,301**	**$ 138,939**

These investments yield interest rates from 2.87 per cent to 7.12 per cent and mature in periods 2007 through 2027. The investments have an average expected yield of 4.18 per cent and an average term of 3.85 years to maturity.

NOTE 7: DEPOSITS AND OTHER ASSETS

	2006	2005	2004
Tax Requisition Over Levies	$ 197	$ 167	$ 176
Postage	2	4	7
Refundable Containers	48	48	36
Operating Deposits	307	2,083	1,328
Electric Reels	178	128	174
Gas Royalty Deposits	1,029	792	587
TOTAL	**$ 1,761**	**$ 3,222**	**$ 2,308**

NOTE 8: SUBSIDIARY OPERATIONS

The following table provides condensed supplementary financial information reported separately by Allied Oil and Gas Corp. at December 31.

	2006	2005	2004
Financial Position			
Current Assets	$ 7,921	$ 7,304	$ 7,144
Future Income Tax Asset	974	1,404	545
Resource Properties	6,059	6,559	7,391
Total Assets	**14,954**	**15,267**	**15,080**
Current Liabilities	5,285	5,407	5,433
Advances from City of Medicine Hat	17,847	18,847	20,347
Asset Retirement Obligation	514	480	479
Total Liabilities	**23,646**	**24,734**	**26,259**
Net Assets (Liabilities)	**$ (8,692)**	**$ (9,467)**	**$ (11,179)**

Net Liabilities are comprised of a deficit of $7,316, share capital of $6 and deficit on Related Company Transactions of $1,382 (2005 – a deficit of $8,091, share capital of $6 and a deficit on Related Company Transaction of $1,382).

NOTES
FOR THE YEAR ENDED DECEMBER 31, 2006
(In thousands of dollars)

Results of Operations	2006	2005	2004
Revenues	$ 6,338	$ 5,631	$ 4,780
Operating Expenses	3,632	3,164	3,319
Cash Flow from Operations	2,706	2,467	1,461
Depletion and Accretion	1,117	1,404	1,503
Net Income (Loss) before Income Tax	1,589	1,063	(42)
Income Tax Recovery	(813)	649	222
Net Income	776	1,712	180
Deficit, Beginning of Year	(8,092)	(9,804)	(9,984)
Share Capital	6	6	6
Investment (Loss) In Subsidiary	**$ (7,310)**	**$ (8,086)**	**$ (9,798)**

The operation of this government business enterprise has been accounted for using the modified equity method of accounting. These financial statements include the net earnings of Allied Oil and Gas Corp. since the acquisition date.

NOTE 9: PREPAID EXPENSES

	2006	2005	2004
Prepaid Insurance	$ 970	$ 956	$ 803
Prepaid Miscellaneous Expenses	182	112	131
TOTAL	**$ 1,152**	**$ 1,068**	**$ 934**

NOTE 10: CAPITAL ASSETS

	2006 Cost	Accumulated Depreciation	2006 Book Value	2005 Book Value	2004 Book Value
Land	$ 13,878	$ -	$ 13,878	$ 13,733	$ 14,366
Buildings	149,196	4,503	144,693	142,707	123,660
Engineering Structures	620,180	149,444	470,736	426,277	396,643
Gas and Oil Properties	629,815	359,374	270,441	261,948	266,371
Machinery, Equipment and Furnishings	28,633	8,887	19,746	17,558	27,483
Vehicles	43,659	-	43,659	42,315	38,795
TOTAL	**$ 1,485,361**	**$ 522,208**	**$ 963,153**	**$ 904,538**	**$ 867,318**

During 2006, the City disposed of Gas Properties and recorded proceeds of $1,785 for this sale. The Electric Utility disposed of #10 and #11 turbines and recorded a loss on sale of assets of $6,574 as the result of this sale.

NOTES
FOR THE YEAR ENDED DECEMBER 31, 2006
(In thousands of dollars)

Annual depletion and depreciation amounts reflected in Capital Assets and Equity in Capital Assets are as follows:

	2006	2005	2004
Buildings	$ 304	$ 289	$ 275
Engineering Structures	14,167	12,830	12,494
Gas and Oil Properties	32,827	34,584	30,429
Machinery, Equipment and Furnishings	941	928	936
TOTAL DEPRECIATION AND DEPLETION	**$ 48,239**	**$ 48,631**	**$ 44,134**

NOTE 11: ACCRUED LIABILITIES

	2006	2005	2004
Accrued Wages and Salaries	$ 2,088	$ 3,085	$ 2,081
Vacation Pay	3,239	3,172	3,033
Accrued Interest on Long-Term Debt	3,212	3,282	3,506
Deposits	1,829	890	752
Deferred Revenue	3,008	3,898	3,527
Deferred Charges	6,265	3,597	3,454
Accrued Royalties	5,566	8,505	5,678
Alberta Municipal Infrastructure Program	10,768	10,346	-
Alberta Cities Transportation Program	4,741	4,428	5,297
Other Payables	1,758	2,451	1,780
TOTAL	**$ 42,474**	**$ 43,654**	**$ 29,108**

NOTE 12: SHORT-TERM DEBT

A Municipal Operating Loan Facility (Revolving) is available to the City up to a maximum of $5,000 by way of Prime-based loans, Guaranteed Notes, or Letters of Guarantee (in Canadian dollars). This facility is secured by Bylaw 3745 for Prime-based loans and Guaranteed Notes. Letters of Guarantee are authorized under Bylaw 3415.

A Variable Rate Line of Credit under this Municipal Operating Loan Facility (Revolving) is available at a rate of Prime less 0.25 per cent. Guaranteed Notes are payable at Base Rate plus 0.25 per cent per 365 day period, and Letters of Guarantee are payable at a fee of 3/8 of one per cent per annum.

At December 31 2006, there were Letters of Guarantee issued in the amount of $2,416.

NOTES
FOR THE YEAR ENDED DECEMBER 31, 2006
(In thousands of dollars)

NOTE 13: LONG-TERM DEBT

(A)

	2006	2005	2004
Tax Supported	$ 29,450	$ 28,324	$ 27,388
Utilities			
- Electric	79,533	63,333	65,269
- Gas	13,042	15,530	18,930
- Water	31,547	18,088	24,254
- Sewer	28,704	27,649	20,663
- Solid Waste	1,695	1,827	1,699
Total Utilities	154,521	126,427	130,815
TOTAL	**$ 183,971**	**$ 154,751**	**$ 158,203**

	2006	2005	2004
Comprised of:			
- Alberta Capital Finance Authority	$ 183,701	$ 154,481	$ 157,927
- Other Long-Term Debt	270	270	276
TOTAL	**$ 183,971**	**$ 154,751**	**$ 158,203**

(B) ***DEBT PER CAPITA***
(not in thousands of Dollars)

	2006	2005	2004
Tax Supported Debentures	$ 517	$ 505	$ 534
Utilities	2,711	2,256	2,553
TOTAL	**$ 3,228**	**$ 2,761**	**$ 3,087**

Debt per capita is based on the official census of 56,997 by Statistics Canada for 2006.

(C) Expected future interest and principal payments are as follows:

	Principal	Interest
2007	$ 15,309	$ 11,051
2008	15,919	10,052
2009	16,185	9,053
2010	12,204	8,049
2011	12,802	7,257
2012-2027	111,552	34,793
TOTAL	**$ 183,971**	**$ 80,255**

The debentures mature in annual amounts to the year 2026 and interest is payable at rates ranging from 3.405 per cent to 12.0 per cent per annum before Provincial Subsidy, and mature in periods 2007 through 2026. The average annual interest rate is 6.06 per cent for 2006 (6.48 per cent for 2005). For qualifying debentures, the Province of Alberta rebates 60 per cent of interest in excess of eight per cent, nine per cent and 11 per cent to a maximum annual rate of 12.5 per cent depending on the date borrowed. Debenture debt is issued on the credit and security of the City of Medicine Hat.

Interest on long-term debt paid in 2006 was $10,435 (2005 $10,319).

(D) The Minister of Municipal Affairs has prescribed total debt and debt servicing limits for municipalities in the province. The debt limit is calculated based upon two times revenue, and the debt servicing limit is based upon 0.35 times revenue. Included in the Actual Debt calculation are loans outstanding as well as Loan Guarantees.

	2006	2005	2004
Total Debt Limit	$ 691,629	$ 659,156	$ 581,843
Actual Debt (Long- and Short-Term Debt)	184,819	155,602	159,054
AMOUNT UNDER LIMIT	**$ 506,810**	**$ 503,554**	**$ 422,789**
Debt Servicing Limit	$ 121,035	$ 115,352	$ 101,822
Actual Debt Servicing (Long- and Short-Term Debt)	26,259	23,694	23,002
AMOUNT UNDER LIMIT	**$ 94,776**	**$ 91,658**	**$ 78,820**

NOTE 14: OTHER LONG-TERM DEBT

The City of Medicine Hat owes Palliser Health Authority $270 for the construction of ambulance facilities at the Medicine Hat Regional Hospital. The City and Palliser Health Authority are currently negotiating the sale of this asset to the Health Authority.

NOTE 15: OTHER LONG-TERM LIABILITIES

(A)

	2006	2005	2004
Offsite Contributions	$ 7,255	$ 5,175	$ 4,089
Asset Retirement Obligation - Gas	43,316	36,568	32,581
Employee Retirement Benefits Liability	3,132	2,635	2,534
Sanitary Landfill - Site Abandonment and Restoration	299	161	81
TOTAL OTHER LONG-TERM LIABILITIES	**$ 54,002**	**$ 44,539**	**$ 39,285**

(B) The accrued liability for closure and post closure costs of the City's Landfill is recognized over the life of the cells, using the net present value of the total estimated costs of closure and post closure care, prorated on the basis of the current air space utilized (in cubic metres), over the total estimated air space of the site. The net present value of the estimated closure and post closure costs was calculated using a rate of return equal to 4.1 per cent assuming inflation of 3.7 per cent.

(C) The following summarizes the total net present value for the estimated costs of Sanitary Landfill closure and post closure care:

	2006	2005	2004
Estimated Closure Costs	$ 5,000	$ 5,000	$ 950
Estimated Post-Closure Costs	750	750	155
Estimated Total Costs	$ 5,750	$ 5,750	$ 1,105
Estimated Capacity remaining %	58.5%	60.0%	62.0%
Portion of Total Liability remaining to be recognized	$ 5,451	$ 5,619	$ 1,024
Estimated Capacity used %	41.5%	40.0%	38.0%
ACCRUED LIABILITY PORTION	**$ 299**	**$ 161**	**$ 81**

The site has approximately 2,648,810 cubic metres of air space remaining. With an estimated annual utilization of 70,525 cubic metres, increasing at approximately 3.5 per cent per year, the landfill has approximately 23 years of life remaining. It is estimated that post closure care should be required for a period of 25 years. The City has not designated assets for settling closure or post closure liabilities.

NOTE 16: OPERATING FUND

The Operating Fund balance as shown on the Consolidated Statement of Financial Position represents accumulated surpluses (deficits) from operations, which have not been designated by City Council for any specific use.

The General Fund policy directs that, special one-time grants and any surplus in the General Operating Fund not required in order to maintain the operating fund target balance of seven per cent of prior years' budgeted gross expenditures be transferred to the Infrastructure Reserve. Included in the 2006 transfer to the Infrastructure Reserve of $7,147 is $1,357 in surplus funds, which were in excess of the target balance requirement.

The Electric Operating Fund policy directs that surplus in excess of seven per cent of prior years' budgeted gross expenditures will be transferred to the Electric Facility and Equipment Reserve at the end of the current year. In 2006 the Electric Utility reported an excess surplus of $1,235, which was transferred to the Electric Facility and Equipment Reserve.

With respect to the Gas Utility, policy directs that surplus in excess of seven per cent of prior years' budgeted gross expenditures be transferred to the Gas Depletion Reserve at the end of the current year. In 2006 the Gas Utility reported an excess surplus of $73,494, which was transferred to the Gas Depletion Reserve.

OPERATING FUND BALANCES	2006	2005	2004
General Government	$ 6,649	$ 6,301	$ 5,601
Gas	5,756	5,253	6,433
Electric	5,058	4,795	2,832
Water	113	(1,680)	(1,354)
Sewer	(1,552)	(1,794)	(1,760)
Solid Waste	426	836	1,227
Land	9,370	15,743	14,471
TOTAL	**$ 25,820**	**$ 29,454**	**$ 27,450**

NOTES
FOR THE YEAR ENDED DECEMBER 31, 2006
(In thousands of dollars)

NOTE 17: CAPITAL FUND

CAPITAL FUND BALANCES	2006	2005	2004
General Government	$ 1,817	$ 3,955	$ 3,298
Gas	19,650	7,935	21,959
Electric	2,298	1,579	2,146
Water	(1,112)	(1,067)	110
Sewer	(1,026)	424	(2,586)
Solid Waste	607	58	(552)
TOTAL	**$ 22,234**	**$ 12,884**	**$ 24,375**

NOTE 18: RESERVES

	Balance 2004	Balance 2005	2006 Additions	2006 Reductions	Balance 2006
Employee Development	$ 409	$ 515	$ 19	$ -	$ 534
Victim Assistance	13	13	4	-	17
Second Street Properties	84	84	-	-	84
Fleet Replacement	3,944	5,055	2,982	3,841	4,196
Art Acquisitions	-	-	33	-	33
Infrastructure	6,390	8,575	7,147	2,828	12,894
Esplanade	11,172	-	-	-	-
Nature's Best Reserve	-	941	597	136	1,402
Employee Benefits	-	-	1,561	-	1,561
Electric Facility and Equipment	14,210	16,856	1,235	1,604	16,487
Gas Depletion Reserve	96,738	151,848	72,718	44,291	180,275
SUB TOTAL	132,960	183,887	86,296	52,700	217,483
Equity (Deficit) in Subsidiary	(9,804)	(8,092)	776	-	(7,316)
Internal Loan Contra Reserve	(23,355)	(18,876)	14,908	-	(3,968)
TOTAL RESERVES	**$ 99,801**	**$ 156,919**	**$ 101,980**	**$ 52,700**	**$ 206,199**

NOTE 19: TRUST FUNDS

The City of Medicine Hat records as Funds Held in Trust all monies received on behalf of third parties. These monies are controlled, invested and accounted for in accordance with the terms of the trust arrangements. Trust investments are in temporary investments in money market instruments such as term deposits, treasury bills, and commercial paper. Investments are recorded at the lower of original cost or market value. The cost of these investments at December 31, 2006 is $1,800 (2005 - $1,763). Trust investments and liabilities are not included in the City's statements.

NOTES
FOR THE YEAR ENDED DECEMBER 31, 2006
(In thousands of dollars)

A summary of Trust fund activities by the City of Medicine Hat are as follows:

	Balance 2004	Balance 2005	Additions	Interest Earnings	Reductions	Balance 2006
Cemetery - Perpetual Care	$ 1,353	$ 1,322	$ 158	$ 25	$ 192	$ 1,313
Seniors Foundation	19	47	6	1	22	32
Police Department Exhibit Recovery	14	16	-	1	-	17
Art Gallery Acquisition	12	8	-	1	-	9
Donna MacLean Museum Trusts	13	15	-	-	13	2
Pitch Trust	2	2	-	-	-	2
Arts and Heritage Centre	-	-	318	7	325	-
Museum Building Exhibition	27	-	-	-	-	-
Museum Special Projects	41	-	-	-	-	-
Medicine Hat Senior Sport & Culture	139	-	-	-	-	-
Medicine Hat Sport and Culture	-	1	-	-	-	1
Bell West	193	198	-	9	-	207
Saamis Heights Town Centre Park	176	94	44	5	-	143
Centennial Grant	-	1	11	-	12	-
A B Clark Development Agreement	-	-	10	1	-	11
Veiner Centre Legacy Mural	-	9	6	1	6	10
2008 Alberta Summer Games	50	-	-	-	-	-
Northlands Waterline Warranty	49	50	-	3	-	53
TOTAL TRUST FUNDS	**$ 2,088**	**$ 1,763**	**$ 553**	**$ 54**	**$ 570**	**$ 1,800**

NOTE 20: SALARY AND BENEFITS DISCLOSURE

Disclosure of salaries and benefits for municipal officials, the chief administrative office and designated officers as required by provincial regulation 313/2000 is as follows:

	Salary	Benefits & Allowances	Total 2006	Total 2005
Mayor Vallely	$48	$33	$81	$74
Councillors:				
Cocks, W.	22	28	50	33
Friesen, J.	19	19	38	33
Dumanowski, R.	20	19	39	32
Hamill, J.	21	19	40	33
Hirsch, D.	19	18	37	33
Kelly, G.	20	17	37	31
Smith, C.	19	15	34	32
Speers, H.	20	20	40	34
Chief Administrative Officer	176	33	209	201
Designated Officers 2006-7 (2005-6)	808	166	974	748

(1) Salary includes regular base pay.

(2) Benefits and Allowances includes employer's share of all employee benefits and contributions or payments made on behalf of employees (where applicable) including retirement pension, Canada Pension Plan, Employment Insurance, health care, dental coverage, vision coverage, group life insurance, accidental disability and dismemberment insurance, long and short term disability plans, expense allowances, car allowances, per diem payments, gross honoraria, travel allowances and professional memberships and tuitions.

NOTE 21: LOCAL AUTHORITIES PENSION PLAN

Employees of the City of Medicine Hat, with the exception of police officers, participate in the Local Authorities Pension Plan (LAPP), which is one of the plans covered by the *Public Sector Pension Plans Act*. LAPP serves about 149,000 people and 407 employers. The police officers are members of the Special Forces Pension Plan (SFPP). The Plans are financed by employer and employee contributions and investment earnings of the LAPP and SFPP Fund.

The City of Medicine Hat is required to make current service contributions to the Local Authorities Pension Plan of 7.75 per cent of pensionable earnings up to the Canada Pension Plan Year's Maximum Pensionable Earnings and 10.64 per cent for the excess. With regard to the Special Forces Pension Plan, the City of Medicine Hat is required to make current service contributions of 11.11 per cent.

Total current service contributions by the City of Medicine Hat to LAPP and SFPP in 2006 were $4,806 (2005 – $4,236). Total current service contributions by the employees for 2006 were $4,265 (2005 – $3,737).

At December 31, 2005 LAPP disclosed an actuarial deficit of $863.6 million (2004 – $1,288.9 million).
At December 31, 2005 SFPP disclosed an actuarial deficit of $67,343 Million (2004 – $208,353 million).

NOTE 22: EMPLOYEE BENEFIT OBLIGATIONS

The City has a defined benefit life insurance plan covering substantially all of its employees. The plan is unfunded. The most recent actuarial accounting valuation for the plan was performed for the year-ended December 31, 2006. Information about the plan is as follows:

	2006	2005	2004
Accrued Benefit Obligation			
Balance, Beginning of Year	$ 2,635	$ 2,534	$ 2,321
Current Service Cost	79	75	66
Interest Cost	151	144	138
Benefits Paid	(86)	(118)	(119)
Unrecognized Actuarial Losses	353	-	128
Balance, End of Year, Benefit Plan Deficit	**$ 3,132**	**$ 2,635**	**$ 2,534**

The significant actuarial assumptions adopted in measuring the City's accrued benefit obligation are as follows:

	2006	2005	2004
Discount Rate	5.75%	5.75%	5.75%
Rate of Compensation Increases	3%	3%	3%
Expected Average Remaining Service Life	9.3 Years	9.0 Years	9.0 Years

NOTE 23: OPERATING COMMITMENTS

The City of Medicine Hat is committed to purchase natural gas and electrical energy under existing purchase contracts. The commitment for 2006 is $7,985 (Gas) and $7,267 (Electric).

NOTE 24: CAPITAL COMMITMENTS

(A) 2006 CAPITAL BUDGET

Following guidelines set out by the Public Sector Accounting Board, the budget reported on the Consolidated Statement of Financial Activities and Consolidated Capital Fund is the 2006 approved Capital Budget. The actual expenditures reported include incomplete capital projects in the amount of $33,752 carried forward from previous budget years, as well as costs related to the 2006 Budget.

(B) INCOMPLETE CAPITAL PROJECTS

As at December 31, 2006 a number of capital projects were in progress and will be completed in 2007 or subsequent years. The unexpended appropriation related to these projects is $117,390. Projects included in this total are: Gas 2006 Gas Well Drilling $12,528; Gas 2006 Gas Well Gathering $5,842; Electric Facility Improvement $3,302; Municipal Works South Boundary Road $20,000; Municipal Works Parkview Drive $5,608; Water SW Sector Supply System Upgrade $12,500; Water Brier Park / NW Industrial System Upgrade $4,800; Water Construct Reservoir / River Crossing $2,800; Water Plant Expansion $11,200; Sewer Lift Station Upgrade $1,900; Waste Water Treatment Plant Erosion Protection $2,100.

(C) CAPITAL IMPROVEMENT PLAN

In December 2005, City Council approved the 2006-2010 Utilities Capital Improvement Plan. Subsequent to December 31, 2005, City Council approved the 2006 - 2010 General Government Capital Improvement Plan. The total for all projects is as follows:

2007	$ 87,755
2008	38,671
2009-2010 Projection	139,910
Total	**$ 266,336**

Financing sources identified:

	2007	2008
Government Grants	$ 3,195	$ 3,470
Current Revenues	12,360	5,298
Debentures		
Tax Supported	2,390	2,086
Utilities	17,879	16,648
Reserves	44,678	3,393
Direct Charges and Other	7,253	7,776
Total	**$ 87,755**	**$ 38,671**

NOTE 25: CONTINGENT LIABILITIES

Various claims have been made against the City as at December 31, 2006. If proven, it is possible that these claims may have a materially adverse effect on the financial position of the City. The City is disputing the claims and as the outcome is not determinable at this time, no amount has been accrued in the financial statements.

The City has not recognized a liability for certain legal obligations, primarily special handling for the removal and disposal of encapsulated asbestos from facilities and equipment. The fair value cannot be reasonably estimated.

NOTE 26: FINANCIAL INSTRUMENTS

The City as part of its operations carries a number of financial instruments. It is management's opinion the City is not exposed to significant interest, currency or credit risk arising from these financial instruments, except as otherwise disclosed. Unless otherwise noted, the fair value of these financial instruments approximates their carrying values.

NOTE 27: COMPARATIVE FIGURES

Comparative figures have been restated, where necessary, to conform to the current year presentation.

Financial and Statistical Schedules (Unaudited)

North Railway Street (undated)

FINANCIAL AND STATISTICAL SCHEDULES (Unaudited)
FOR THE YEAR ENDED DECEMBER 31, 2002 - 2006
(In thousands of dollars)

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES

	2006	2005	2004	2003	2002
REVENUES BY SOURCE					
Taxes	$ 29,403	$ 25,643	$ 22,768	$ 20,272	$ 19,098
Sale of Services					
General Government	6,998	6,029	5,632	5,220	5,177
Gas	143,133	161,387	129,817	129,178	96,188
Electric	72,057	55,856	58,399	53,687	47,778
Water	9,479	7,636	7,540	7,493	6,568
Sewer	7,813	6,954	6,296	5,642	5,561
Solid Waste	4,970	4,908	4,543	5,490	4,576
Land & Subdivision Dev	19,184	17,165	21,948	16,203	15,050
Investment Income	10,286	6,875	5,496	4,655	5,338
Income from Subsidiary	776	1,712	180	(1,886)	(8,365)
Licences, Fines & Penalties	5,714	5,482	4,936	3,712	3,570
Insurance Recovery	184	157	107	118	100
Developers Levies	2,525	3,187	1,932	1,548	1,991
Proceeds from Sale of Assets	4,030	1,227	1,862	4,851	17
Other	10,166	11,586	11,161	5,908	6,637
Government Grants	9,725	11,319	13,115	8,317	16,012
TOTAL REVENUES	336,443	327,123	295,732	270,408	225,296
EXPENDITURES BY FUNCTION					
General Government	100,232	104,681	106,469	84,032	82,010
Gas	111,963	113,620	91,965	96,348	147,837
Electric	55,025	34,285	28,142	50,165	41,445
Water	21,374	8,344	6,880	5,657	4,702
Sewer	12,222	7,282	14,849	8,338	9,547
Solid Waste	3,551	3,879	4,067	3,393	3,065
Land	6,298	3,948	5,229	4,229	8,555
TOTAL EXPENDITURES	310,665	276,039	257,601	252,162	297,161
NET REVENUES (EXPENDITURES)	25,778	51,084	38,131	18,246	(71,865)
Debt Issued	41,802	9,083	13,782	22,488	18,922
Debt Repayment	(12,584)	(12,536)	(11,827)	(10,732)	(10,708)
Contributed Surplus	-	-	-	-	1,381
	29,218	(3,453)	1,955	11,756	9,595
CHANGE IN FUND BALANCE	**$ 54,996**	**$ 47,631**	**$ 40,086**	**$ 30,002**	**$ (62,270)**

FINANCIAL AND STATISTICAL SCHEDULES (Unaudited)
FOR THE YEAR ENDED DECEMBER 31, 2002 - 2006
(In thousands of dollars)

CONSOLIDATED EXPENDITURE BY OBJECT

	2006	2005	2004	2003	2002
Salaries, Wages & Benefits	$ 73,963	$ 69,906	$ 64,902	$ 59,318	$ 56,687
Contracted & General Services	35,769	31,199	27,946	27,428	19,387
Materials, Goods & Utilites	37,193	32,370	30,779	32,306	27,615
Provisions for Allowances	219	23	232	195	404
Bank Charges & Short-Term Interest	81	74	44	98	927
Interest on Long-Term Debt	9,969	10,435	10,379	10,110	9,856
Physical Assets Acquired	121,093	99,475	95,484	96,512	165,143
Other Operating Expenditures	28,450	30,039	24,505	25,411	18,804
Grants and Other Transfers	585	578	603	221	386
Other Capital Expenditures	3,343	1,940	2,727	2,858	2,079
TOTAL EXPENDITURES	**$ 310,665**	**$ 276,039**	**$ 257,601**	**$ 254,457**	**$ 301,288**

CONSOLIDATED SCHEDULE OF CAPITAL FINANCING & EXPENDITURES

	2006	2005	2004	2003	2002
REVENUES					
Government Transfers	$ 3,465	$ 5,206	$ 9,360	$ 5,486	$ 12,598
Developers Levies	2,525	3,187	1,932	981	1,994
Proceeds from Sale of Assets	1,785	55	1,862	4,851	17
Other	1,723	4,218	4,913	1,118	1,797
Reserves	37,792	47,063	52,733	37,259	123,628
Operations	44,694	21,113	29,762	21,737	16,480
Debt	41,802	9,083	13,782	22,488	18,922
TOTAL FINANCING	133,786	89,925	114,344	93,920	175,436
EXPENDITURES					
Engineering Structures	110,635	74,021	65,794	81,802	153,209
Buildings	2,141	17,970	24,691	9,376	4,867
Machinery & Equipment	3,554	2,122	1,663	1,888	2,188
Land	149	172	146	311	581
Mobile Equipment	3,673	4,984	3,189	2,899	4,300
Non - Asset Increasing	4,284	2,147	2,728	3,094	2,076
TOTAL EXPENDITURES	124,436	101,416	98,211	99,370	167,221
SURPLUS/(DEFICIT)	**$ 9,350**	**$ (11,491)**	**$ 16,133**	**$ (5,450)**	**$ 8,215**

FINANCIAL AND STATISTICAL SCHEDULES (Unaudited)
FOR THE YEAR ENDED DECEMBER 31, 2002 - 2006
(In thousands of dollars)

LONG-TERM DEBT

	2006	2005	2004	2003	2002
LONG-TERM DEBT					
Debt Supported by Taxes	$ 29,450	$ 28,324	$ 27,388	$ 25,205	$ 21,591
Debt Supported by Utilities	154,521	126,427	130,815	131,044	122,575
TOTAL DEBT	**$ 183,971**	**$ 154,751**	**$ 158,203**	**$ 156,249**	**$ 144,166**

DEBT PER CAPITA *(not in thousands of dollars)*	2006	2005	2004	2003	2002
Tax Supported	$ 517	$ 505	$ 534	$ 492	$ 421
Utility Supported	2,711	2,256	2,553	2,557	2,392
TOTAL DEBT PER CAPITA	**$ 3,228**	**$ 2,761**	**$ 3,087**	**$ 3,049**	**$ 2,813**

2006 Population 56,997 Statistics Canada Census
2005 Population 56,048 Municipal Census
2003-2004 Population 51,248 Municipal Census
2002 Population 50,152 Municipal Census

LONG- & SHORT-TERM DEBT CHARGES AS A % OF TOTAL EXPENDITURES	2006	2005	2004	2003	2002
Debt Charges	$ 26,259	$ 23,694	$ 23,002	$ 22,603	$ 20,560
Total Operating Expenditures	186,232	174,622	159,393	156,449	134,067
PERCENTAGE	**14.10%**	**13.57%**	**14.43%**	**14.45%**	**15.34%**

LEGAL DEBT LIMIT	2006	2005	2004	2003	2002
Total Debt Limit	$ 691,629	$ 659,156	$ 581,843	$ 537,272	$ 432,524
Actual Debt and Loan Guarantees	184,819	155,602	159,054	157,099	154,872
AMOUNT UNDER LIMIT	**$ 506,810**	**$ 503,554**	**$ 422,789**	**$ 380,173**	**$ 277,652**
Percentage Used	26.72%	23.61%	27.34%	29.24%	35.81%

DEBT SERVICING LIMIT	2006	2005	2004	2003	2002
Debt Servicing Limit	$ 121,035	$ 115,352	$ 101,822	$ 94,023	$ 75,692
Actual Debt Servicing	26,259	23,694	23,002	22,603	30,968
AMOUNT UNDER LIMIT	**$ 94,776**	**$ 91,658**	**$ 78,820**	**$ 71,420**	**$ 44,724**
Percentage Used	21.70%	20.54%	22.59%	24.04%	40.91%

FINANCIAL AND STATISTICAL SCHEDULES (Unaudited)
FOR THE YEAR ENDED DECEMBER 31, 2002 - 2006
(In thousands of dollars)

SUMMARY OF OPERATING AND RESERVE FUND BALANCES

OPERATING FUNDS	**2006**	**2005**	**2004**	**2003**	**2002**
General	$ 6,649	$ 6,301	$ 5,601	$ 5,498	$ 5,152
Gas	5,756	5,253	6,433	6,587	4,804
Electric	5,058	4,795	2,833	5,046	4,751
Water	112	(1,680)	(1,354)	(858)	(433)
Sewer	(1,552)	(1,794)	(1,760)	(958)	(91)
Solid Waste	426	836	1,227	1,446	649
Land & Subdivision Development	9,371	15,743	14,470	8,884	19,337
TOTAL OPERATING FUNDS	25,820	29,454	27,450	25,645	34,169
RESERVE FUNDS					
Arts & Heritage / Art Acquisitions	33	-	11,172	21,605	15,000
Employee Training	534	515	409	302	248
Victim Assistance	17	13	12	11	11
Infrastructure	12,894	8,575	6,390	4,497	3,278
Second Street Properties	84	84	84	181	267
Fleet Replacement	4,196	5,055	3,944	3,087	2,891
Employee Benefits	1,561	-	-	-	-
Gas Depletion	180,275	151,848	96,738	71,943	38,889
Nature's Best Reserve	1,402	941	-	-	-
Electric Facilities and Equipment	16,487	16,856	14,210	14,210	10,974
Equity in Subsidiary Company	(7,316)	(8,092)	(9,804)	(9,984)	(6,849)
SUB-TOTAL RESERVES	210,167	175,795	123,155	105,852	64,709
Internal Loans Contra	(3,968)	(18,876)	(23,354)	(28,302)	(31,006)
TOTAL RESERVES	206,199	156,919	99,801	77,550	33,703
TOTAL RESERVES & SURPLUS	**$ 232,019**	**$ 186,373**	**$ 127,251**	**$ 103,195**	**$ 67,872**

FINANCIAL AND STATISTICAL SCHEDULES (Unaudited)
FOR THE YEAR ENDED DECEMBER 31, 2002 - 2006

TAXATION & ASSESSMENT

MILL RATES

	2006	2005	2004	2003	2002
MUNICIPAL					
Single Family	5.1498	5.147	5.102	4.908	5.164
Apartments	7.3945	6.779	6.286	5.734	6.070
Farmland	17.8493	14.599	11.834	10.209	10.133
Commercial & Industrial	14.2262	14.066	13.625	12.765	11.932
EDUCATION					
Single Family	3.6984	4.063	4.343	4.354	4.674
Apartments	3.6984	4.063	4.343	4.354	4.674
Farmland	3.6984	4.063	4.343	4.354	4.674
Commercial & Industrial	5.8889	5.922	7.383	7.669	7.580
OTHER					
Single Family	0.085	0.093	0.060	0.066	0.066
Apartments	0.085	0.093	0.060	0.066	0.066
Farmland	0.085	0.093	0.060	0.066	0.066
Commercial & Industrial	0.085	0.093	0.060	0.066	0.066

PROPERTY TAXES LEVIED

(In Thousands of Dollars)

PROPERTY TAX LEVY	**2006**	**2005**	**2004**	**2003**	**2002**
Municipal	$ 27,421	24,271	$ 21,247	$ 18,741	$ 16,383
Education	19,258	18,251	18,159	16,981	16,135
Other	2,294	2,106	1,714	1,659	1,576
TOTAL REAL PROPERTY	**48,973**	44,628	41,120	37,381	34,094
Business Taxes (BRZ)	100	100	100	89	94
TOTAL TAXES LEVIED	**$ 49,073**	**44,728**	**$ 41,220**	**$ 37,470**	**$ 34,188**
Current Taxes Collected	$ 48,746	44,459	$ 40,738	$ 36,917	$ 33,520
Per cent of Current Taxes Collected	98.34%	98.73%	98.14%	97.79%	97.59%

OTHER MAJOR TAXES LEVIES	**2006**	**2005**	**2004**	**2003**	**2002**
Linear Property Taxes	$ 494	302	$ 291	$ 280	$ 161
Government Grants in Lieu of Property Taxes	1,219	1,187	1,230	1,258	1,184
TOTAL MAJOR TAX LEVIES	**$ 1,713**	**$ 1,489**	**$ 1,521**	**$ 1,538**	**$ 1,345**

ASSESSED VALUE FOR GENERAL MUNICIPAL PURPOSES

	2006	2005	2004	2003	2002
Residential	$ 3,711,323,182	$ 3,267,598,850	$ 2,891,991,033	$ 2,682,303,890	$ 2,303,154,818
Multi-Family	158,534,513	154,684,483	151,539,751	150,436,471	128,151,634
Farmland	4,140,114	5,049,459	5,003,531	5,217,012	4,980,057
Commercial & Industrial	951,303,478	860,239,981	780,943,647	723,237,891	698,890,212
TOTAL TAXABLE ASSESSMENT	**$ 4,825,301,287**	**$ 4,287,572,773**	**$ 3,829,477,962**	**$ 3,561,195,264**	**$ 3,135,176,721**

FINANCIAL AND STATISTICAL SCHEDULES (Unaudited)
SCHEDULE OF OPERATING REVENUE AND EXPENDITURES BY DEPARTMENT
FOR THE YEAR ENDED DECEMBER 31, 2002 - 2006

(In thousands of dollars)

GENERAL MUNICIPAL REVENUES

	2006 Budget	2006 Actual	2005	2004	2003	2002
REVENUE						
Other Income						
Investment Income	$ 809	$ 1,282	$ 1,460	$ 868	$ 1,820	$ 1,382
Licences, Fines and Penalties	121	129	114	124	121	113
Other Revenue	493	855	613	731	81	30
Transfer from Reserve	-	3	447	343	-	-
Contributions from Utilities and Land	25,430	26,010	25,430	24,694	23,980	23,044
Government Transfers						
Municipal Assistance Grant	875	875	875	875	1,237	1,237
TOTAL REVENUE	27,728	29,154	28,939	27,635	27,239	25,806
EXPENDITURES						
Salaries, Wages and Benefits	218	178	208	163	81	81
Contracted and General Services	353	177	239	352	294	16
Materials and Supplies	-	25	26	28	29	36
Other	16	2	17	3	5	1
Contingency	799		1,169	58	-	377
Transfer to Reserves	4,617	6,944	7,368	5,302	4,526	4,059
Interdepartmental Charges	-	21	-	27	-	18
TOTAL EXPENDITURES	6,003	7,347	9,027	5,933	4,935	4,588
NET OPERATING COST (REVENUE)	**$ (21,725)**	**$ (21,807)**	**$ (19,912)**	**$ (21,702)**	**$ (22,304)**	**$ (21,218)**

LEGISLATIVE

	2006 Budget	2006 Actual	2005	2004	2003	2002
EXPENDITURES						
Salaries, Wages and Benefits	$ 340	$ 328	$ 323	$ 315	$ 307	$ 302
Other Personnel Costs	77	67	51	48	60	48
Contracted and General Services	38	39	50	38	42	32
Materials and Supplies	5	10	11	3	4	4
Transfer to Reserve	-	19	(33)	33	-	-
Interdepartmental Charges	14	9	5	5	5	5
TOTAL EXPENDITURES	474	472	407	442	418	391
NET OPERATING COST (REVENUE)	**$ 474**	**$ 472**	**$ 407**	**$ 442**	**$ 418**	**$ 391**

The above represents actual transactions before consolidation eliminations.

FINANCIAL AND STATISTICAL SCHEDULES (Unaudited)
SCHEDULE OF OPERATING REVENUE AND EXPENDITURES BY DEPARTMENT
FOR THE YEAR ENDED DECEMBER 31, 2002 - 2006
(In thousands of dollars)

GENERAL GOVERNMENT

	2006 Budget	2006 Actual	2005	2004	2003	2002
REVENUE						
Other Income						
Internal Recovery	$ 2,431	$ 1,890	$ 1,855	$ 1,992	$ 1,606	$ 1,501
Other Revenue	156	159	167	164	51	31
Transfer from Reserve	18	20	52	-	-	-
Government Transfers						
Grants - Federal and Provincial	-	6	-	-	-	-
TOTAL REVENUE	2,605	2,075	2,074	2,156	1,657	1,532
EXPENDITURES						
Salaries, Wages and Benefits	3,102	2,537	2,557	2,594	2,258	2,229
Other Personnel Costs	90	60	71	53	47	45
Contracted and General Services	1,391	1,435	1,135	1,003	730	508
Materials and Supplies	108	83	76	79	65	66
Principal on Long-Term Debt - Internal	20	21	20	19	5	-
Interest on Long-Term Debt - Internal	2	2	3	4	2	-
Transfer to Reserve	-	286	(109)	109	-	-
Interdepartmental Charges	378	143	81	110	73	89
TOTAL EXPENDITURES	5,091	4,567	3,834	3,971	3,180	2,937
NET OPERATING COST (REVENUE)	**$ 2,486**	**$ 2,492**	**$ 1,760**	**$ 1,815**	**$ 1,523**	**$ 1,405**

The above represents actual transactions before consolidation eliminations.

FINANCIAL AND STATISTICAL SCHEDULES (Unaudited)
SCHEDULE OF OPERATING REVENUE AND EXPENDITURES BY DEPARTMENT
FOR THE YEAR ENDED DECEMBER 31, 2002 - 2006
(In thousands of dollars)

FINANCE

	2006 Budget	2006 Actual	2005	2004	2003	2002
REVENUE						
Other Income						
Internal Recovery	$ 3,142	$ 3,140	$ 2,900	$ 2,716	$ 2,529	$ 2,248
Other Revenue	375	490	282	269	223	274
Transfer from Reserve	34	34	-	-	-	-
Government Transfers						
Grants - Federal and Provincial	20	-	32	22	-	-
Flood Assistance	-	52	-	-	-	-
TOTAL REVENUE	3,571	3,716	3,214	3,007	2,752	2,522
EXPENDITURES						
Salaries, Wages and Benefits	3,954	3,673	3,349	3,301	3,113	2,801
Other Personnel Costs	88	71	62	62	53	62
Contracted and General Services	374	393	282	340	292	532
Materials and Supplies	193	187	198	192	191	157
Provisions for Allowances	21	21	20	20	20	20
Bank Charges	43	39	24	19	18	24
Other Expenditures	-	5	-	-	-	-
Principal on Long-Term Debt - Infrastructure	115	185	12	-	-	-
Interest on Long-Term Debt - Infrastructure	52	32	3	-	-	-
Principal on Long-Term Debt - Internal	353	369	350	330	294	240
Interest on Long-Term Debt - Internal	71	71	90	108	121	123
Transfer to Reserves	2	381	(121)	121	-	-
Interdepartmental Charges	780	767	840	810	751	709
TOTAL EXPENDITURES	6,046	6,194	5,109	5,303	4,853	4,668
NET OPERATING COST (REVENUE)	**$ 2,475**	**$ 2,478**	**$ 1,895**	**$ 2,296**	**$ 2,101**	**$ 2,146**

The above represents actual transactions before consolidation eliminations.

FINANCIAL AND STATISTICAL SCHEDULES (Unaudited)
SCHEDULE OF OPERATING REVENUE AND EXPENDITURES BY DEPARTMENT
FOR THE YEAR ENDED DECEMBER 31, 2002 - 2006

(In thousands of dollars)

HUMAN RESOURCES

	2006 Budget	2006 Actual	2005	2004	2003	2002
REVENUE						
Other Income						
Internal Recovery	$ 952	$ 1,011	$ 937	$ 894	$ 849	$ 957
Other Revenue	19	18	21	18	14	46
Transfer from Reserve	67	13	-	-	-	-
Government Transfers						
Grants - Federal and Provincial	-	-	(1)	17	25	33
Flood Assistance	-	-	1	-	-	-
TOTAL REVENUE	1,038	1,042	958	929	888	1,036
EXPENDITURES						
Salaries, Wages and Benefits	1,537	1,609	1,366	1,338	1,220	1,156
Other Personnel Costs	25	29	25	24	20	12
Contracted and General Services	406	254	240	243	279	328
Materials and Supplies	56	67	48	45	45	47
Provisions for Allowances	186	-	-	-	-	-
Interest on Long-Term Debt - ACFA	4	-	-	-	-	-
Principal on Long-Term Debt - Internal	17	16	33	33	31	29
Interest on Long-Term Debt - Internal	1	2	3	4	6	8
Transfer to Reserves	-	76	98	115	71	57
Interdepartmental Charges	-	179	223	230	231	210
TOTAL EXPENDITURES	2,232	2,232	2,036	2,032	1,903	1,847
NET OPERATING COST (REVENUE)	**$ 1,194**	**$ 1,190**	**$ 1,078**	**$ 1,103**	**$ 1,015**	**$ 811**

The above represents actual transactions before consolidation eliminations.

FINANCIAL AND STATISTICAL SCHEDULES (Unaudited)
SCHEDULE OF OPERATING REVENUE AND EXPENDITURES BY DEPARTMENT
FOR THE YEAR ENDED DECEMBER 31, 2002 - 2006

(In thousands of dollars)

INFORMATION AND COMPUTER SERVICES

	2006 Budget	2006 Actual	2005	2004	2003	2002
REVENUE						
Other Income						
Internal Recovery	$ 2,149	$ 2,029	$ 2,040	$ 2,081	$ 2,050	$ 1,853
Other Revenue	28	28	11	40	31	13
Transfer from Reserve	20	20	-	-	-	-
TOTAL REVENUE	2,197	2,077	2,051	2,121	2,081	1,866
EXPENDITURES						
Salaries, Wages and Benefits	1,751	1,626	1,606	1,558	1,484	1,402
Other Personnel Costs	71	43	52	66	46	42
Contracted and General Services	428	356	423	348	363	343
Materials and Supplies	78	79	51	53	59	63
Principal on Long-Term Debt - ACFA	-	-	-	19	19	19
Principal on Long-Term Debt - Internal	24	7	22	21	24	4
Interest on Long-Term Debt - Internal	2	-	4	5	6	-
Transfer to Reserves	-	42	(154)	154	-	-
Interdepartmental Charges	111	192	145	44	40	25
TOTAL EXPENDITURES	2,465	2,345	2,149	2,268	2,041	1,898
NET OPERATING COST (REVENUE)	$ 268	$ 268	$ 98	$ 147	$ (40)	$ 32

The above represents actual transactions before consolidation eliminations.

FINANCIAL AND STATISTICAL SCHEDULES (Unaudited)
SCHEDULE OF OPERATING REVENUE AND EXPENDITURES BY DEPARTMENT
FOR THE YEAR ENDED DECEMBER 31, 2002 - 2006

(In thousands of dollars)

CORPORATE ASSET MANAGEMENT

	2006 Budget	2006 Actual	2005	2004	2003	2002
REVENUE						
Sale of Services	$ 129	$ 90	$ 129	$ 167	$ 154	$ 88
Other Income						
Internal Recovery	8,728	8,865	8,270	8,043	7,770	6,858
Other Revenue	136	307	169	153	150	130
Government Transfers						
Flood Assistance	-	-	67	-	-	-
TOTAL REVENUE	8,993	9,262	8,635	8,363	8,074	7,076
EXPENDITURES						
Salaries, Wages and Benefits	2,709	2,694	2,423	2,228	2,210	1,819
Other Personnel Costs	38	35	34	30	25	21
Contracted and General Services	2,265	2,464	2,339	2,049	2,048	1,713
Materials and Supplies	385	334	397	279	342	339
Principal on Long-Term Debt - ACFA	671	639	465	459	397	313
Interest on Long-Term Debt - ACFA	-	-	174	162	154	164
Principal on Long-Term Debt - Infrastructure	-	-	8	-	-	-
Interest on Long-Term Debt - Infrastructure	-	-	2	-	-	-
Principal on Long-Term Debt - Internal	368	254	199	150	33	32
Interest on Long-Term Debt - Internal	-	-	35	32	10	12
Transfer to Reserves	3,066	3,150	2,826	3,195	2,812	2,650
Interdepartmental Charges	849	1,025	815	803	783	751
TOTAL EXPENDITURES	10,351	10,595	9,717	9,387	8,814	7,814
NET OPERATING COST (REVENUE)	$ 1,358	$ 1,333	$ 1,082	$ 1,024	$ 740	$ 738

The above represents actual transactions before consolidation eliminations.

FINANCIAL AND STATISTICAL SCHEDULES (Unaudited)
SCHEDULE OF OPERATING REVENUE AND EXPENDITURES BY DEPARTMENT
FOR THE YEAR ENDED DECEMBER 31, 2002 - 2006

(In thousands of dollars)

PROTECTIVE AND EMERGENCY SERVICES

	2006 Budget	2006 Actual	2005	2004	2003	2002
REVENUE						
Sale of Services	$ 242	$ 293	$ 173	$ 348	$ 255	$ 234
Other Income						
Internal Recovery	56	61	44	(1)	9	8
Other Revenue	20	31	22	23	28	37
Transfer from reserve	8	8	-	613	322	-
Government Transfers						
Flood Assistance	-	-	13	-	-	-
TOTAL REVENUE	326	393	252	983	614	279
EXPENDITURES						
Salaries, Wages & Benefits	7,177	7,297	6,638	5,552	5,024	4,797
Other Personnel Costs	116	112	106	91	126	95
Contracted & General Services	129	82	244	1,556	1,012	772
Materials and Supplies	286	187	296	352	206	196
Principal on Long-Term Debt - ACFA	180	93	88	10	-	-
Interest on Long-Term Debt - ACFA	152	162	156	61	2	-
Principal on Long-Term Debt - Infrastructure	37	37	27	-	-	-
Interest on Long-Term Debt - Infrastructure	6	6	6	-	-	-
Principal on Long-Term Debt - Internal	5	5	6	79	33	16
Interest on Long-Term Debt - Internal	1	1	1	5	7	3
Transfer to Reserves	-	49	(111)	111	-	-
Interdepartmental Charges	628	655	572	439	420	360
TOTAL EXPENDITURES	8,717	8,686	8,029	8,256	6,830	6,239
NET OPERATING COST (REVENUE)	$ 8,391	$ 8,293	$ 7,777	$ 7,273	$ 6,216	$ 5,960

The above represents actual transactions before consolidation eliminations.

FINANCIAL AND STATISTICAL SCHEDULES (Unaudited)
SCHEDULE OF OPERATING REVENUE AND EXPENDITURES BY DEPARTMENT
FOR THE YEAR ENDED DECEMBER 31, 2002 - 2006

(In thousands of dollars)

911 COMMUNICATIONS

	2006 Budget	2006 Actual	2005	2004	2003	2002
REVENUE						
Sale of Services	$ 493	$ 474	$ 359	$ 278	$ 245	$ 242
Other Income						
Internal Recovery	78	81	77	71	66	69
Other Revenue	6	10	9	8	6	6
Transfer from Reserve	50	50	-	-	-	-
Government Transfers						
Flood Assistance	-	-	7	-	-	-
TOTAL REVENUE	627	615	452	357	317	317
EXPENDITURES						
Salaries, Wages and Benefits	1,648	1,561	1,452	1,384	1,299	1,180
Other Personnel Costs	19	20	9	8	10	11
Contracted and General Services	96	142	80	48	62	41
Materials and Supplies	75	53	32	44	29	54
Principal on Long-Term Debt - ACFA	20	20	19	18	-	-
Interest on Long-Term Debt - ACFA	3	2	3	4	3	-
Principal on Long-Term Debt - Infrastructure	8	9	5	-	-	-
Interest on Long-Term Debt - Infrastructure	1	2	1	-	-	-
Principal on Long-Term Debt - Internal	49	49	47	53	64	58
Interest on Long-Term Debt - Internal	3	3	6	9	11	12
Transfer to Reserves	-	16	39	(39)	-	-
Interdepartmental Charges	54	88	44	39	33	29
TOTAL EXPENDITURES	1,976	1,965	1,737	1,568	1,511	1,385
NET OPERATING COST (REVENUE)	$ 1,349	$ 1,350	$ 1,285	$ 1,211	$ 1,194	$ 1,068

The above represents actual transactions before consolidation eliminations.

FINANCIAL AND STATISTICAL SCHEDULES (Unaudited)
SCHEDULE OF OPERATING REVENUE AND EXPENDITURES BY DEPARTMENT
FOR THE YEAR ENDED DECEMBER 31, 2002 - 2006
(In thousands of dollars)

COMMUNITY DEVELOPMENT

	2006 Budget	2006 Actual	2005	2004	2003	2002
REVENUE						
Sale of Services	$ 3,969	$ 4,093	$ 3,797	$ 3,908	$ 3,569	$ 3,256
Other Income						
Internal Recovery	2	8	15	84	88	104
Other Revenue	229	270	256	270	247	243
Transfer from Reserve	81	81	-	603	51	-
Government Transfers						
Grants - Federal and Provincial	1,185	1,228	1,183	1,136	1,159	1,055
Flood Assistance	-	121	23	-	-	-
TOTAL REVENUE	5,466	5,801	5,274	6,001	5,114	4,658
EXPENDITURES						
Salaries, Wages & Benefits	6,815	7,253	6,741	6,561	6,193	5,601
Other Personnel Costs	95	84	90	81	78	88
Contracted & General Services	689	763	760	641	613	577
Materials and Supplies	3,220	2,217	2,932	3,156	2,536	2,349
Other Expenditures	-	12	-	-	-	-
Bank Charges	9	10	10	14	8	7
Principal on Long-Term Debt - ACFA	52	409	368	380	297	272
Interest on Long-Term Debt - ACFA	15	239	282	302	263	196
Principal on Long-Term Debt - Infrastructure	177	199	137	-	-	-
Interest on Long-Term Debt - Infrastructure	36	34	30	-	-	-
Principal on Long-Term Debt - Internal	409	52	165	472	208	245
Interest on Long-Term Debt - Internal	12	6	72	93	96	102
Grants and Other Transfers	177	176	135	343	201	103
Transfer to Reserves			(108)	128	-	-
Interdepartmental Charges	1,695	2,643	1,606	1,701	1,726	1,561
TOTAL EXPENDITURES	13,401	14,097	13,220	13,872	12,219	11,101
NET OPERATING COST (REVENUE)	$ 7,935	$ 8,296	$ 7,946	$ 7,871	$ 7,105	$ 6,443

The above represents actual transactions before consolidation eliminations.

FINANCIAL AND STATISTICAL SCHEDULES (Unaudited)
SCHEDULE OF OPERATING REVENUE AND EXPENDITURES BY DEPARTMENT
FOR THE YEAR ENDED DECEMBER 31, 2002 - 2006
(In thousands of dollars)

CULTURAL DEVELOPMENT

	2006 Budget	2006 Actual	2005	2004	2003	2002
REVENUE						
Sale of Services	$ 562	$ 936	$ 522	$ 24	$ 31	$ 29
Other Income						
Other Revenue	244	241	115	77	76	64
Transfer from Reserve	-	-	53	-	-	-
Government Transfers						
Grants - Federal and Provincial	177	207	139	131	136	127
TOTAL REVENUE	983	1,384	829	232	243	220
EXPENDITURES						
Salaries, Wages & Benefits	1,299	1,393	1,075	831	713	665
Other Personnel Costs	20	10	11	11	214	13
Contracted & General Services	891	1,191	696	233	14	208
Materials and Supplies	239	285	295	192	179	135
Bank Charges	3	21	32	2	1	1
Principal on Long-Term Debt - ACFA	-	23	75	75	69	63
Interest on Long-Term Debt - ACFA	-	34	92	92	98	104
Principal on Long-Term Debt - Infrastructure	10	10	-	-	-	-
Interest on Long-Term Debt - Infrastructure	2	2	-	-	-	-
Principal on Long-Term Debt - Internal	97	104	-	-	-	-
Interest on Long-Term Debt - Internal	62	42	-	-	-	-
Grants and Other Transfers	394	401	413	257	216	211
Transfer to Reserves	-	34	-	-	-	-
Interdepartmental Charges	540	671	265	112	107	91
TOTAL EXPENDITURES	3,557	4,221	2,954	1,805	1,611	1,491
NET OPERATING COST (REVENUE)	$ 2,574	$ 2,837	$ 2,125	$ 1,573	$ 1,368	$ 1,271

The above represents actual transactions before consolidation eliminations.

FINANCIAL AND STATISTICAL SCHEDULES (Unaudited)
SCHEDULE OF OPERATING REVENUE AND EXPENDITURES BY DEPARTMENT
FOR THE YEAR ENDED DECEMBER 31, 2002 - 2006

(In thousands of dollars)

PARKS AND OUTDOOR RECREATION

	2006 Budget	2006 Actual	2005	2004	2003	2002
REVENUE						
Sale of Services	$ 723	$ 660	$ 638	$ 640	$ 603	$ 611
Other Income						
Internal Recovery	1,086	912	969	1,178	1,109	1,077
Other Revenue	260	284	291	298	62	59
Transfer from Reserve	-	5	-	-	-	-
Government Transfers						
Grants - Federal and Provincial	76	165	177	137	108	206
Debenture Interest Subsidy	-	1	1	4	6	8
Flood Assistance	-	1,427	658	-	-	-
TOTAL REVENUE	2,145	3,454	2,734	2,257	1,888	1,961
EXPENDITURES						
Salaries, Wages and Benefits	3,007	2,963	3,013	2,903	2,622	2,517
Other Personnel Costs	32	24	27	27	25	31
Contracted and General Services	805	2,167	1,520	730	649	625
Materials and Supplies	709	736	710	749	624	750
Bank Charges and Short Term Interest	8	10	8	9	7	9
Principal on Long-Term Debt - ACFA	201	204	196	239	203	180
Interest on Long-Term Debt - ACFA	150	142	133	138	138	132
Principal on Long-Term Debt - Infrastructure	83	38	9	-	-	-
Interest on Long-Term Debt - Infrastructure	20	7	2	-	-	-
Principal on Long-Term Debt - Internal	91	76	141	316	222	183
Interest on Long-Term Debt - Internal	13	10	17	30	41	41
Grants and Other Transfers	2	5	22	2	-	2
Transfer to Reserves	-	61	(63)	63	-	-
Transfer to Capital	-	-	-	-	1	-
Interdepartmental Charges	2,244	2,292	2,214	2,218	2,234	2,035
TOTAL EXPENDITURES	7,365	8,735	7,949	7,424	6,766	6,505
NET OPERATING COST (REVENUE)	$ 5,220	$ 5,281	$ 5,215	$ 5,167	$ 4,878	$ 4,544

The above represents actual transactions before consolidation eliminations.

FINANCIAL AND STATISTICAL SCHEDULES (Unaudited)
SCHEDULE OF OPERATING REVENUE AND EXPENDITURES BY DEPARTMENT
FOR THE YEAR ENDED DECEMBER 31, 2002 - 2006

(In thousands of dollars)

POLICE SERVICES

	2006 Budget	2006 Actual	2005	2004	2003	2002
REVENUE						
Sale of Services	$ -	$ -	$ 1	$ -	$ 116	$ 473
Other Income						
Licences, Fines and Penalties	3,199	3,478	3,414	2,627	1,972	1,779
Internal Recovery	57	65	62	84	52	52
Other Revenue	612	746	374	423	248	182
Transfer from Reserve	30	29	-	-	-	-
Government Transfers						
Grants - Federal and Provincial	875	961	883	855	66	47
Flood Assistance	-	-	2	-	-	-
TOTAL REVENUE	4,773	5,279	4,736	3,989	2,454	2,533
EXPENDITURES						
Salaries, Wages & Benefits	11,465	11,709	10,692	9,796	9,344	9,069
Other Personnel Costs	518	472	387	402	529	361
Contracted & General Services	1,043	1,090	1,178	1,314	1,108	1,012
Materials and Supplies	768	865	747	733	554	560
Principal on Long-Term Debt - ACFA	709	709	797	712	547	502
Interest on Long-Term Debt - ACFA	246	221	277	335	369	384
Principal on Long-Term Debt - Infrastructure	30	22	13	-	-	-
Interest on Long-Term Debt - Infrastructure	6	4	3	-	-	-
Principal on Long-Term Debt - Internal	69	69	77	93	78	72
Interest on Long-Term Debt - Internal	12	12	19	26	29	35
Transfer to Reserves	-	4	(82)	237	1	6
Interdepartmental Charges	718	900	844	719	655	570
TOTAL EXPENDITURES	15,584	16,077	14,952	14,367	13,214	12,571
NET OPERATING COST (REVENUE)	**$ 10,811**	**$ 10,798**	**$ 10,216**	**$ 10,378**	**$ 10,760**	**$ 10,038**

The above represents actual transactions before consolidation eliminations.

FINANCIAL AND STATISTICAL SCHEDULES (Unaudited)
SCHEDULE OF OPERATING REVENUE AND EXPENDITURES BY DEPARTMENT
FOR THE YEAR ENDED DECEMBER 31, 2002 - 2006

(In thousands of dollars)

PLANNING, BUILDING AND DEVELOPMENT

	2006 Budget	2006 Actual	2005	2004	2003	2002
REVENUE						
Other Income						
Licences, Fines and Penalties	$ 1,664	$ 1,892	$ 1,847	$ 2,052	$ 1,620	$ 1,549
Internal Recovery	175	161	146	156	192	238
Other Revenue	277	363	663	296	373	217
Transfer from Reserve	41	41	-	-	-	-
Government Transfers						
Grants - Federal and Provincial	-	6	-	-	1	-
Flood Assistance	-	-	5	-	-	-
TOTAL REVENUE	2,157	2,463	2,661	2,504	2,186	2,004
EXPENDITURES						
Salaries, Wages & Benefits	2,553	2,292	2,248	2,047	1,879	1,656
Other Personnel Costs	55	44	45	30	31	24
Contracted & General Services	123	63	114	74	73	66
Materials and Supplies	135	71	98	60	55	52
Principal on Long-Term Debt - ACFA	106	106	101	97	23	-
Interest on Long-Term Debt - ACFA	14	11	16	21	17	4
Principal on Long-Term Debt - Infrastructure	11	4	4	-	-	-
Interest on Long-Term Debt - Infrastructure	1	1	1	-	-	-
Principal on Long-Term Debt - Internal	21	21	42	24	22	10
Interest on Long-Term Debt - Internal	2	2	6	4	6	3
Transfer to Reserves	-	422	(206)	206	-	-
Interdepartmental Charges	267	236	220	190	186	159
TOTAL EXPENDITURES	3,288	3,273	2,689	2,753	2,292	1,974
NET OPERATING COST (REVENUE)	**$ 1,131**	**$ 810**	**$ 28**	**$ 249**	**$ 106**	**$ (30)**

The above represents actual transactions before consolidation eliminations.

FINANCIAL AND STATISTICAL SCHEDULES (Unaudited)
SCHEDULE OF OPERATING REVENUE AND EXPENDITURES BY DEPARTMENT
FOR THE YEAR ENDED DECEMBER 31, 2002 - 2006

(In thousands of dollars)

MUNICIPAL WORKS

	2006 Budget	2006 Actual	2005	2004	2003	2002
REVENUE						
Sale of Services	$ 650	$ 716	$ 681	$ 639	$ 610	$ 569
Other Income						
Internal Recovery	1,379	1,753	1,549	2,060	1,501	1,456
Other Revenue	48	64	68	54	65	66
Transfer from Reserve	-	11	-	-	-	-
Government Transfers						
Grants - Federal and Provincial	702	749	718	540	601	409
Debenture Interest Subsidy	-	-	-	-	3	5
Flood Assistance	-	384	321	-	-	-
TOTAL REVENUE	2,779	3,677	3,337	3,293	2,780	2,505
EXPENDITURES						
Salaries, Wages & Benefits	3,172	2,938	2,854	2,685	2,481	2,481
Other Personnel Costs	55	48	58	36	32	32
Contracted & General Services	725	1,699	1,053	935	771	432
Materials and Supplies	1,560	1,695	1,656	1,638	1,474	1,185
Principal on Long-Term Debt - ACFA	767	695	789	754	1,029	1,149
Interest on Long-Term Debt - ACFA	589	604	612	611	667	586
Principal on Long-Term Debt - Infrastructure	224	150	46	-	-	-
Interest on Long-Term Debt - Infrastructure	48	28	12	-	-	-
Principal on Long-Term Debt - Internal	342	326	447	420	331	235
Interest on Long-Term Debt - Internal	50	50	76	97	94	85
Transfer to Reserves	-	83	42	(42)	-	-
Transfer to Capital	-	3	24	10	10	29
Interdepartmental Charges	3,487	3,455	2,980	2,839	2,687	2,599
TOTAL EXPENDITURES	11,019	11,774	10,649	9,983	9,576	8,813
NET OPERATING COST (REVENUE)	**$ 8,240**	**$ 8,097**	**$ 7,312**	**$ 6,690**	**$ 6,796**	**$ 6,308**

The above represents actual transactions before consolidation eliminations.

FINANCIAL AND STATISTICAL SCHEDULES (Unaudited)
SCHEDULE OF OPERATING REVENUE AND EXPENDITURES BY DEPARTMENT
FOR THE YEAR ENDED DECEMBER 31, 2002 - 2006

(In thousands of dollars)

LAND AND SUBDIVISION DEVELOPMENT

	2006 Budget	2006 Actual	2005	2004	2003	2002
REVENUE						
Sale of Services	$ 25,678	$ 20,035	$ 17,161	$ 21,940	$ 15,166	$ 15,202
Other Income						
Investment Income	3	3	4	29	106	80
Licences, Fines and Penalties	45	195	64	63	13	23
Other Revenue	31	16	43	48	918	25
Government Transfers						
Flood Assistance	-	10	116	-	-	-
TOTAL REVENUE	25,757	20,259	17,388	22,080	16,203	15,330
EXPENDITURES						
Salaries, Wages and Benefits	411	410	388	374	351	250
Other Personnel Costs	9	5	7	3	1	3
Contracted and General Services	115	48	164	75	92	99
Materials and Supplies	21,097	16,975	13,471	14,598	8,831	8,090
Provisions for Allowances	2	2	2	2	5	5
Transfer to General	-	852	241	10	12,875	751
Transfer to Capital	-	97	172	5	138	-
Interdepartmental Charges	547	538	456	465	468	461
TOTAL EXPENDITURES	22,181	18,927	14,901	15,532	22,761	9,659
NET OPERATING COST (REVENUE)	$ (3,576)	$ (1,332)	$ (2,487)	$ (6,548)	$ 6,558	$ (5,671)

The above represents actual transactions before consolidation eliminations.

FINANCIAL AND STATISTICAL SCHEDULES (Unaudited)
SCHEDULE OF OPERATING REVENUE AND EXPENDITURES BY DEPARTMENT
FOR THE YEAR ENDED DECEMBER 31, 2002 - 2006

(In thousands of dollars)

WATER

	2006 Budget	2006 Actual	2005	2004	2003	2002
REVENUE						
Taxes	$ 127	$ 113	$ 113	$ 111	$ 118	$ 127
Sale of Services	9,530	9,886	7,968	7,781	7,609	6,907
Other Income						
Internal Recovery	834	594	576	479	436	371
Other Revenue	685	1,172	965	598	594	730
Government Transfers						
Debenture Interest Subsidy	3	1	7	13	18	22
Flood Assistance	-	-	3	-	-	-
TOTAL REVENUE	11,179	11,766	9,632	8,982	8,775	8,157
EXPENDITURES						
Salaries, Wages & Benefits	2,704	2,618	2,295	2,004	1,860	1,617
Contracted & General Services	483	374	378	372	393	376
Materials and Supplies	904	948	960	854	887	942
Provisions for Allowances	35	34	-	54	24	24
Principal on Long-Term Debt - ACFA	1,499	1,291	1,444	1,341	1,224	1,121
Interest on Long-Term Debt - ACFA	1,703	1,393	1,433	1,549	1,667	1,736
Principal on Long-Term Debt - Internal	100	133	92	150	217	272
Interest on Long-Term Debt - Internal	32	37	41	56	53	101
Transfer to Capital	407	329	455	275	372	292
Interdepartmental Charges	2,452	2,270	2,314	2,292	2,106	2,051
Contribution to General Fund	546	546	546	530	398	298
TOTAL EXPENDITURES	10,865	9,973	9,958	9,477	9,201	8,830
NET OPERATING COST (REVENUE)	$ (314)	$ (1,793)	$ 326	$ 495	$ 426	$ 673

The above represents actual transactions before consolidation eliminations.

FINANCIAL AND STATISTICAL SCHEDULES (Unaudited)
SCHEDULE OF OPERATING REVENUE AND EXPENDITURES BY DEPARTMENT
FOR THE YEAR ENDED DECEMBER 31, 2002 - 2006

(In thousands of dollars)

SEWER

	2006 Budget	2006 Actual	2005	2004	2003	2002
REVENUE						
Taxes	$ 127	$ 113	$ 113	$ 111	$ 143	$ 127
Sale of Services	7,627	8,132	7,244	6,507	5,757	5,832
Other Income						
Internal Recovery	225	211	207	197	164	217
Other Revenue	566	1,055	960	305	290	272
Government Transfers						
Debenture Interest Subsidy	-	1	8	26	40	47
Flood Assistance	-	-	850	-	-	-
TOTAL REVENUE	8,545	9,512	9,382	7,146	6,394	6,495
EXPENDITURES						
Salaries, Wages and Benefits	2,651	2,366	2,151	1,852	1,689	1,416
Contracted and General Services	342	275	1,065	246	272	208
Contracted and General Services	1,201	1,010	840	850	817	746
Materials and Supplies	27	27	-	22	11	20
Principal on Long-Term Debt - ACFA	1,354	1,253	1,452	1,409	1,185	982
Interest on Long-Term Debt - ACFA	1,883	1,698	1,693	1,460	1,429	1,300
Principal on Long-Term Debt - Internal	95	95	90	96	98	97
Interest on Long-Term Debt - Internal	10	10	15	21	28	32
Transfer to Capital	-	794	310	181	131	320
Interdepartmental Charges	1,087	1,552	1,542	1,627	1,471	1,545
Contribution to General Fund	190	190	190	184	130	97
TOTAL EXPENDITURES	8,840	9,270	9,348	7,948	7,261	6,763
NET OPERATING COST (REVENUE)	$ 295	$ (242)	$ (34)	$ 802	$ 867	$ 268

The above represents actual transactions before consolidation eliminations.

FINANCIAL AND STATISTICAL SCHEDULES (Unaudited)
SCHEDULE OF OPERATING REVENUE AND EXPENDITURES BY DEPARTMENT
FOR THE YEAR ENDED DECEMBER 31, 2002 - 2006

(In thousands of dollars)

SOLID WASTE

	2006 Budget	2006 Actual	2005	2004	2003	2002
REVENUE						
Sale of Services	$ 4,689	$ 5,191	$ 5,246	$ 4,693	$ 5,567	$ 4,678
Other Income						
Internal Recovery	260	280	84	94	31	31
Other Revenue	421	365	39	-	-	21
TOTAL REVENUE	5,370	5,836	5,369	4,787	5,598	4,730
EXPENDITURES						
Salaries, Wages and Benefits	2,249	2,120	1,823	1,616	1,545	1,336
Contracted and General Services	944	1,074	851	796	1,035	1,109
Materials and Supplies	717	870	664	519	512	431
Provisions for Allowances	11	11	-	8	7	7
Principal on Long-Term Debt - ACFA	138	133	122	102	96	83
Interest on Long-Term Debt - ACFA	129	105	114	106	111	114
Principal on Long-Term Debt - Internal	109	99	75	87	81	80
Interest on Long-Term Debt - Internal	10	12	10	20	21	33
Transfer to Capital	28	508	663	286	132	26
Interdepartmental Charges	1,318	1,234	1,358	1,388	1,203	1,242
Contribution to General Fund	80	80	80	78	60	45
TOTAL EXPENDITURES	5,733	6,246	5,760	5,006	4,803	4,506
NET OPERATING COST (REVENUE)	**$ 363**	**$ 410**	**$ 391**	**$ 219**	**$ (795)**	**$ (224)**

The above represents actual transactions before consolidation eliminations.

FINANCIAL AND STATISTICAL SCHEDULES (Unaudited)
SCHEDULE OF OPERATING REVENUE AND EXPENDITURES BY DEPARTMENT
FOR THE YEAR ENDED DECEMBER 31, 2002 - 2006
(In thousands of dollars)

ELECTRIC

	2006 Budget	2006 Actual	2005	2004	2003	2002
REVENUE						
Sale of Services	$ 65,741	$ 74,589	$ 58,263	$ 56,212	$ 54,612	$ 49,745
Other Income						
Investment Income	711	707	597	47	75	177
Internal Recovery	3,421	3,700	3,007	2,858	2,742	2,619
Transfer from Gas	16,580	12,101	10,282	6,315	11,465	9,845
Other Revenue	7,518	7,084	9,309	5,202	1,168	486
Government Transfers						
Grants - Federal and Provincial	-	3	-	-	-	-
Flood Assistance	-	66	38	-	-	-
TOTAL REVENUE	93,971	98,250	81,496	70,634	70,062	62,872
EXPENDITURES						
Salaries, Wages and Benefits	9,157	8,682	7,851	7,593	7,050	6,534
Other Personnel Costs	214	151	129	102	133	110
Contracted and General Services	2,298	1,927	1,837	1,959	4,365	1,198
Materials and Supplies	17,353	16,213	15,596	12,728	13,556	11,139
Provisions for Allowances	85	85	-	101	92	157
Principal on Long-Term Debt - ACFA	3,491	3,484	3,206	2,960	2,527	2,182
Interest on Long-Term Debt - ACFA	4,308	4,418	4,482	4,660	4,452	3,721
Principal on Long-Term Debt - Internal	3,362	13,453	3,182	3,011	2,850	2,403
Interest on Long-Term Debt - Internal	796	641	976	1,147	1,308	756
Transfer to Reserves	-	1,235	2,646	-	4,950	8,989
Transfer to (from) Capital	589	722	(22)	929	504	107
Interdepartmental Charges	41,189	41,635	34,772	32,920	25,846	22,293
Contribution to General Fund	4,879	5,342	4,879	4,737	2,134	2,031
TOTAL EXPENDITURES	87,721	97,988	79,534	72,847	69,767	61,620
NET OPERATING COST (REVENUE)	$ (6,250)	$ (262)	$ (1,962)	$ 2,213	$ (295)	$ (1,252)

The above represents actual transactions before consolidation eliminations.

FINANCIAL AND STATISTICAL SCHEDULES (Unaudited)
SCHEDULE OF OPERATING REVENUE AND EXPENDITURES BY DEPARTMENT
FOR THE YEAR ENDED DECEMBER 31, 2002 - 2006

(In thousands of dollars)

GAS

	2006 Budget	2006 Actual	2005	2004	2003	2002
REVENUE						
Sale of Services	$ 145,224	$ 177,853	$ 185,553	$ 158,288	$ 154,453	$ 114,787
Surplus (Loss) from Subsidiary	(774)	776	1,712	180	(1,886)	(8,365)
Other Income						
Investment Income	6,515	9,304	6,140	6,251	4,616	5,391
Internal Recovery	365	725	1,253	1,140	815	714
Other Revenue	30	1,107	1,244	984	505	480
Government Transfers						
Flood Assistance	-	-	6	-	-	-
TOTAL REVENUE	151,360	189,765	195,908	166,843	158,503	113,007
EXPENDITURES						
Salaries, Wages and Benefits	8,918	8,532	7,622	7,105	6,363	5,660
Other Personnel Costs	221	265	255	187	149	125
Contracted and General Services	14,119	18,688	15,595	14,738	11,677	8,749
Materials and Supplies	11,023	12,599	8,770	8,339	7,975	3,973
Royalties	14,694	12,292	17,474	14,335	15,777	8,137
Provisions for Allowances	38	38	-	51	36	63
Bank Charges and Short Term Interest	-	-	1	-	33	886
Principal on Long-Term Debt - ACFA	3,583	3,583	3,400	3,227	3,062	2,906
Interest on Long-Term Debt - ACFA	698	713	887	1,067	1,238	1,400
Write off Bad Debts - Electric	16,580	12,101	10,282	6,316	11,465	9,845
Transfer to Reserves	38,208	73,610	92,674	66,625	57,121	30,162
Transfer to Capital	11,446	9,340	4,125	11,446	7,053	9,951
Interdepartmental Charges	12,518	17,916	16,418	14,546	13,663	10,307
Contribution to General Fund	19,585	19,585	19,585	19,015	21,108	20,423
TOTAL EXPENDITURES	151,631	189,262	197,088	166,997	156,720	112,587
NET OPERATING COST (REVENUE)	**$ 271**	**$ (503)**	**$ 1,180**	**$ 154**	**$ (1,783)**	**$ (420)**

The above represents actual transactions before consolidation eliminations.

FINANCIAL AND STATISTICAL SCHEDULES (Unaudited)
SCHEDULE OF CAPITAL FINANCING AND EXPENDITURES BY DEPARTMENT
FOR THE YEAR ENDED DECEMBER 31, 2002 - 2006

(In thousands of dollars)

GENERAL GOVERNMENT

	2006 Budget	2006 Actual	2005	2004	2003	2002
Government Transfers	$ 18	$ 136	$ 59	$ -	$ -	$ 22
Reserves	97	86	244	86	(2)	190
Debt - Internal	-	-	-	-	70	30
TOTAL FINANCING	115	222	303	86	68	242
EXPENDITURES						
Machinery and Equipment	75	42	47	-	-	-
Non - Asset Increasing	40	297	298	123	137	57
TOTAL EXPENDITURES	115	339	345	123	137	57
CHANGE IN CAPITAL FUND	$ -	$ (117)	$ (42)	$ (37)	$ (69)	$ 185

FINANCE

	2006 Budget	2006 Actual	2005	2004	2003	2002
Government Transfers	$ -	$ -	$ -	$ -	$ 54	$ -
Other	-	-	-	10	-	-
Reserves	80	728	983	86	75	94
Debt - Internal	-	-	-	7	105	222
TOTAL FINANCING	80	728	983	103	234	316
EXPENDITURES						
Machinery and Equipment	80	728	917	75	105	214
Non - Asset Increasing	-	12	26	29	102	46
TOTAL EXPENDITURES	80	740	943	104	207	260
CHANGE IN CAPITAL FUND	$ -	$ (12)	$ 40	$ (1)	$ 27	$ 56

The above represents actual transactions before consolidation eliminations.

FINANCIAL AND STATISTICAL SCHEDULES (Unaudited)
SCHEDULE OF CAPITAL FINANCING AND EXPENDITURES BY DEPARTMENT
FOR THE YEAR ENDED DECEMBER 31, 2002 - 2006

(In thousands of dollars)

HUMAN RESOURCES

	2006 Budget	2006 Actual	2005	2004	2003	2002
Reserves	$ -	$ (30)	$ 19	$ 7	$ 96	$ 20
Debt - ACFA	-	200	-	-	-	-
Debt - Internal	-	72	33	-	-	2
TOTAL FINANCING	-	242	52	7	96	22
EXPENDITURES						
Machinery and Equipment	-	149	-	-	4	10
Non - Asset Increasing	-	4	72	7	96	46
TOTAL EXPENDITURES	-	153	72	7	100	56
CHANGE IN CAPITAL FUND	$ -	$ 89	$ (20)	$ -	$ (4)	$ (34)

INFORMATION AND COMPUTER SERVICES

	2006 Budget	2006 Actual	2005	2004	2003	2002
Other	-	10	-	-	-	1
Reserves	100	115	547	806	556	367
Debt - Internal	-	-	-	-	-	112
TOTAL FINANCING	100	125	547	806	556	480
EXPENDITURES						
Machinery and Equipment	-	-	16	117	10	112
Non - Asset Increasing	100	204	461	296	309	444
TOTAL EXPENDITURES	100	204	477	413	319	556
CHANGE IN CAPITAL FUND	$ -	$ (79)	$ 70	$ 393	$ 237	$ (76)

The above represents actual transactions before consolidation eliminations.

FINANCIAL AND STATISTICAL SCHEDULES (Unaudited)
SCHEDULE OF CAPITAL FINANCING AND EXPENDITURES BY DEPARTMENT
FOR THE YEAR ENDED DECEMBER 31, 2002 - 2006
(In thousands of dollars)

CORPORATE ASSET MANAGEMENT

	2006 Budget	2006 Actual	2005	2004	2003	2002
Government Transfers	$ 337	$ -	$ 1,664	$ -	$ -	$ -
Proceeds from Sale of Assets	-	189	-	-	-	-
Other	534	-	598	179	-	-
Reserves	3,993	3,991	1,877	2,375	-	-
Debt - ACFA	632	370	-	1,100	-	-
Debt - Internal	1,461	604	180	312	-	-
TOTAL FINANCING	6,957	5,154	4,319	3,966	-	-
EXPENDITURES						
Engineering Structures	-	-	77	-	-	-
Buildings	-	52	26	39	-	-
Machinery and Equipment	-	62	134	-	-	-
Mobile Equipment	5,396	3,673	4,984	3,189	-	-
Non - Asset Increasing	1,561	975	95	464	-	-
TOTAL EXPENDITURES	6,957	4,762	5,316	3,692	-	-
CHANGE IN CAPITAL FUND	$ -	$ 392	$ (997)	$ 274	$ -	$ -

PROTECTIVE / EMERGENCY SERVICES

	2006 Budget	2006 Actual	2005	2004	2003	2002
Government Transfers	$ -	$ -	$ 3	$ 37	$ 83	$ -
Other	-	-	-	10	-	-
Reserves	180	(30)	56	158	24	21
Debt - ACFA	-	825	-	2,650	350	-
Debt - Internal	-	162	-	144	-	94
TOTAL FINANCING	180	957	59	2,999	457	115
EXPENDITURES						
Buildings	-	37	469	2,609	184	51
Machinery and Equipment	180	556	19	68	89	115
Non - Asset Increasing	-	20	44	247	12	-
TOTAL EXPENDITURES	180	613	532	2,924	285	166
CHANGE IN CAPITAL FUND	$ -	$ 344	$ (473)	$ 75	$ 172	$ (51)

The above represents actual transactions before consolidation eliminations.

FINANCIAL AND STATISTICAL SCHEDULES (Unaudited)
SCHEDULE OF CAPITAL FINANCING AND EXPENDITURES BY DEPARTMENT
FOR THE YEAR ENDED DECEMBER 31, 2002 - 2006

(In thousands of dollars)

9-1-1 COMMUNICATIONS

	2006 Budget	2006 Actual	2005	2004	2003	2002
Reserves	$ 100	$ 2	$ 65	$ 49	$ 49	$ 93
Debt - ACFA	-	-	-	-	100	-
Debt - Internal	-	208	-	28	57	11
TOTAL FINANCING	100	210	65	77	206	104
EXPENDITURES						
Buildings	100	103	-	-	-	-
Machinery and Equipment	-	13	4	15	163	24
Non - Asset Increasing	-	94	68	79	74	40
TOTAL EXPENDITURES	100	210	72	94	237	64
CHANGE IN CAPITAL FUND	$ -	$ -	$ (7)	$ (17)	$ (31)	$ 40

COMMUNITY DEVELOPMENT

	2006 Budget	2006 Actual	2005	2004	2003	2002
Government Transfers	$ 50	$ 14	$ -	$ -	$ -	$ -
Other	106	184	1	2,141	560	148
Reserves	274	-	439	75	154	397
Debt - ACFA	-	-	570	-	2,500	-
Debt - Internal	-	(124)	-	703	260	-
TOTAL FINANCING	430	74	1,010	2,919	3,474	545
EXPENDITURES						
Engineering Structures	-	-	-	58	43	-
Buildings	50	354	446	2,856	3,088	308
Machinery and Equipment	285	56	35	14	4	120
Non - Asset Increasing	95	123	111	41	92	10
TOTAL EXPENDITURES	430	533	592	2,969	3,227	438
CHANGE IN CAPITAL FUND	$ -	$ (459)	$ 418	$ (50)	$ 247	$ 107

The above represents actual transactions before consolidation eliminations.

FINANCIAL AND STATISTICAL SCHEDULES (Unaudited)
SCHEDULE OF CAPITAL FINANCING AND EXPENDITURES BY DEPARTMENT
FOR THE YEAR ENDED DECEMBER 31, 2002 - 2006
(In thousands of dollars)

CULTURAL DEVELOPMENT

	2006 Budget	2006 Actual	2005	2004	2003	2002
Government Transfers	$ -	$ 323	$ 487	$ 6,385	$ 750	$ 1,500
Land Sales	-	258	-	-	-	-
Other	-	313	3,134	1,959	-	203
Reserves	72	144	11,472	10,633	6,188	194
Debt - ACFA	-	-	750	-	-	-
Debt - Internal	-	16	-	38	-	1,158
TOTAL FINANCING	72	1,054	15,843	19,015	6,938	3,055
EXPENDITURES						
Engineering Structures	-	258	-	10	138	-
Buildings	60	1,372	15,467	18,972	5,055	3,308
Machinery and Equipment	-	16	128	16		1
Non - Asset Increasing	12	775	-	11	11	269
TOTAL EXPENDITURES	72	2,421	15,595	19,009	5,204	3,578
CHANGE IN CAPITAL FUND	$ -	$ (1,367)	$ 248	$ 6	$ 1,734	$ (523)

The above represents actual transactions before consolidation eliminations.

FINANCIAL AND STATISTICAL SCHEDULES (Unaudited)
SCHEDULE OF CAPITAL FINANCING AND EXPENDITURES BY DEPARTMENT
FOR THE YEAR ENDED DECEMBER 31, 2002 - 2006

(In thousands of dollars)

PARKS AND OUTDOOR RECREATION

	2006 Budget	2006 Actual	2005	2004	2003	2002
Government Transfers	$ -	$ 7	$ 189	$ 249	$ 470	$ 45
Developers Levies	-	65	-	25	-	-
Land Sales	274	633	1,370	354	414	888
Reserves	-	(19)	72	52	108	111
Other	-	98	-	-	-	-
Operations	-	-	-	-	1	-
Debt - ACFA	-	-	574	371	472	235
Debt - Internal	700	745	179	158	68	204
TOTAL FINANCING	974	1,529	2,384	1,209	1,533	1,483
EXPENDITURES						
Engineering Structures	884	1,334	1,906	1,101	1,109	1,355
Buildings	-	1	251	58	183	93
Machinery and Equipment	-	-	-	7	21	-
Land	-	-	-	-	-	2
Non - Asset Increasing	90	469	62	23	120	87
TOTAL EXPENDITURES	974	1,804	2,219	1,189	1,433	1,537
CHANGE IN CAPITAL FUND	$ -	$ (275)	$ 165	$ 20	$ 100	$ (54)

The above represents actual transactions before consolidation eliminations.

FINANCIAL AND STATISTICAL SCHEDULES (Unaudited)
SCHEDULE OF CAPITAL FINANCING AND EXPENDITURES BY DEPARTMENT
FOR THE YEAR ENDED DECEMBER 31, 2002 - 2006

(In thousands of dollars)

POLICE SERVICES

	2006 Budget	2006 Actual	2005	2004	2003	2002
Government Transfers	$ -	$ -	$ -	$ -	$ -	$ 49
Other	-	-	-	-	-	7
Reserves	17		325	31	185	221
Operations	158	-	-	-	-	-
Debt - ACFA	220	220	200	140	984	-
Debt - Internal	-	54	-	69	72	-
TOTAL FINANCING	395	274	525	240	1,241	277
EXPENDITURES						
Buildings	-	-	71	14	45	51
Machinery and Equipment	395	14	178	101	614	547
Non - Asset Increasing	-	190	270	101	80	117
TOTAL EXPENDITURES	395	204	519	216	739	715
CHANGE IN CAPITAL FUND	**$ -**	**$ 70**	**$ 6**	**$ 24**	**$ 502**	**$ (438)**

PLANNING, BUILDING AND DEVELOPMENT

	2006 Budget	2006 Actual	2005	2004	2003	2002
Government Transfers	$ -	$ -	$ -	$ -	$ -	$ 26
Reserves	540	(32)	16	64	209	40
Debt - ACFA	-	-	-	-	400	125
Debt - Internal	-	-	-	-	-	66
TOTAL FINANCING	540	(32)	16	64	609	257
EXPENDITURES						
Machinery and Equipment	140	-	-	218	275	71
Non - Asset Increasing	400	5	27	154	92	80
TOTAL EXPENDITURES	540	5	27	372	367	151
CHANGE IN CAPITAL FUND	**$ -**	**$ (37)**	**$ (11)**	**$ (308)**	**$ 242**	**$ 106**

The above represents actual transactions before consolidation eliminations.

FINANCIAL AND STATISTICAL SCHEDULES (Unaudited)
SCHEDULE OF CAPITAL FINANCING AND EXPENDITURES BY DEPARTMENT
FOR THE YEAR ENDED DECEMBER 31, 2002 - 2006

(In thousands of dollars)

MUNICIPAL WORKS

	2006 Budget	2006 Actual	2005	2004	2003	2002
Government Transfers	$ 2,482	$ 2,974	$ 2,803	$ 2,678	$ 3,562	$ 10,956
Developers Levies	-	433	201	55	105	18
Land Sales	-	9,607	6,315	7,370	3,134	1,896
Reserves	-	(19)	40	124	3,397	2,726
Operations	-	-	24	1	-	-
Debt - ACFA	2,301	2,351	1,755	710	1,087	3,925
Debt - Internal	922	942	592	422	1,276	522
TOTAL FINANCING	5,705	16,288	11,730	11,360	12,561	20,043
EXPENDITURES						
Engineering Structures	5,675	15,982	10,030	12,159	7,825	14,762
Buildings	30	2	8	22	6	10
Machinery and Equipment	-	761	34	29	122	11
Land	-	51	-	141	173	560
Mobile Equipment	-	-	-	-	2,899	4,298
Non - Asset Increasing	-	176	396	293	1,271	365
TOTAL EXPENDITURES	5,705	16,972	10,468	12,644	12,296	20,006
CHANGE IN CAPITAL FUND	$ -	$ (684)	$ 1,262	$ (1,284)	$ 265	$ 37

LAND AND SUBDIVISION DEVELOPMENT

	2006 Budget	2006 Actual	2005	2004	2003	2002
Operations	$ -	$ 97	$ 172	$ 5	$ 138	$ 2
TOTAL FINANCING	-	97	172	5	138	2
EXPENDITURES						
Land	-	97	172	5	138	-
Mobile Equipment	-	-	-	-	-	2
TOTAL EXPENDITURES	-	97	172	5	138	2
CHANGE IN CAPITAL FUND	$ -	$ -	$ -	$ -	$ -	$ -

The above represents actual transactions before consolidation eliminations.

FINANCIAL AND STATISTICAL SCHEDULES (Unaudited)
SCHEDULE OF CAPITAL FINANCING AND EXPENDITURES BY DEPARTMENT
FOR THE YEAR ENDED DECEMBER 31, 2002 - 2006

(In thousands of dollars)

WATER

	2006 Budget	2006 Actual	2005	2004	2003	2002
Land Sales	$ -	$ 2,329	$ 1,228	$ 1,161	$ 1,215	$ 150
Operations	407	329	455	275	372	292
Debt - ACFA	6,550	14,750	215	36	375	150
Debt - Internal	-	-	172	-	-	-
Other	-	-	-	-	9	9
TOTAL FINANCING	6,957	17,408	2,070	1,472	1,971	601
EXPENDITURES						
Engineering Structures	6,800	17,332	3,103	1,751	1,328	464
Buildings	27	-	-	-	127	137
Machinery and Equipment	130	112	146	295	61	7
Non - Asset Increasing	-	9	-	-	-	-
TOTAL EXPENDITURES	6,957	17,453	3,249	2,046	1,516	608
CHANGE IN CAPITAL FUND	$ -	$ (45)	$ (1,179)	$ (574)	$ 455	$ (7)

SEWER

	2006 Budget	2006 Actual	2005	2004	2003	2002
Land Sales	$ -	$ 2,615	$ 667	$ 1,098	$ 1,275	$ 473
Operations	276	795	310	181	99	320
Debt - ACFA	4,500	2,307	3,500	7,765	2,275	4,845
Debt - Internal	-	-	-	-	-	67
Other	-	-	-	-	-	45
TOTAL FINANCING	4,776	5,717	4,477	9,044	3,649	5,750
EXPENDITURES						
Engineering Structures	4,750	7,164	1,458	10,577	4,412	6,239
Buildings	26	-	-	-	-	-
Machinery and Equipment	-	-	7	32	14	88
TOTAL EXPENDITURES	4,776	7,167	1,465	10,609	4,426	6,327
CHANGE IN CAPITAL FUND	$ -	$ (1,450)	$ 3,012	$ (1,565)	$ (777)	$ (577)

The above represents actual transactions before consolidation eliminations.

FINANCIAL AND STATISTICAL SCHEDULES (Unaudited)
SCHEDULE OF CAPITAL FINANCING AND EXPENDITURES BY DEPARTMENT
FOR THE YEAR ENDED DECEMBER 31, 2002 - 2006

(In thousands of dollars)

SOLID WASTE

	2006 Budget	2006 Actual	2005	2004	2003	2002
Operations	$ 660	$ 646	$ 663	$ 286	$ 132	$ 26
Other	-	-	-	400	36	-
Debt - ACFA	450	-	250	110	-	95
Debt - Internal	-	112	124	-	-	-
TOTAL FINANCING	1,110	758	1,037	796	168	121
EXPENDITURES						
Engineering Structures	100	14	410	390	15	5
Buildings	305	44	-	21	54	252
Machinery and Equipment	705	151	17	56	154	47
Land	-	-	-	-	-	20
Non - Asset Increasing	-	-	-	550	-	-
TOTAL EXPENDITURES	1,110	209	427	1,017	223	324
CHANGE IN CAPITAL FUND	**$ -**	**$ 549**	**$ 610**	**$ (221)**	**$ (55)**	**$ (203)**

ELECTRIC

	2006 Budget	2006 Actual	2005	2004	2003	2002
Developers Levies	$ 808	$ 1,412	$ 2,062	$ 962	$ 876	$ 1,307
Other	624	1,243	319	1,112	583	284
Reserves	500	1,604	-	-	1,714	1,085
Operations	7,442	17,658	6,366	6,900	5,880	4,692
Debt - ACFA	4,813	16,200	(1,936)	(2,060)	11,418	7,365
Debt - Internal	(3,362)	(13,453)	(3,182)	(3,011)	(2,850)	9,049
TOTAL FINANCING	10,825	24,664	3,629	3,903	17,621	23,782
EXPENDITURES						
Engineering Structures	10,564	23,456	2,825	3,103	20,168	19,137
Buildings		177	1,229	90	617	701
Machinery and Equipment	261	312	142	229	193	575
TOTAL EXPENDITURES	10,825	23,945	4,196	3,422	20,978	20,413
CHANGE IN CAPITAL FUND	**$ -**	**$ 719**	**$ (567)**	**$ 481**	**$ (3,357)**	**$ 3,369**

The above represents actual transactions before consolidation eliminations.

FINANCIAL AND STATISTICAL SCHEDULES (Unaudited)
SCHEDULE OF CAPITAL FINANCING AND EXPENDITURES BY DEPARTMENT
FOR THE YEAR ENDED DECEMBER 31, 2002 - 2006

(In thousands of dollars)

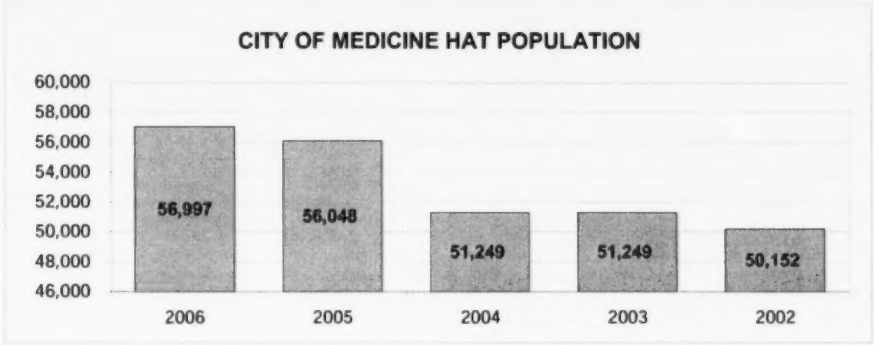
GAS

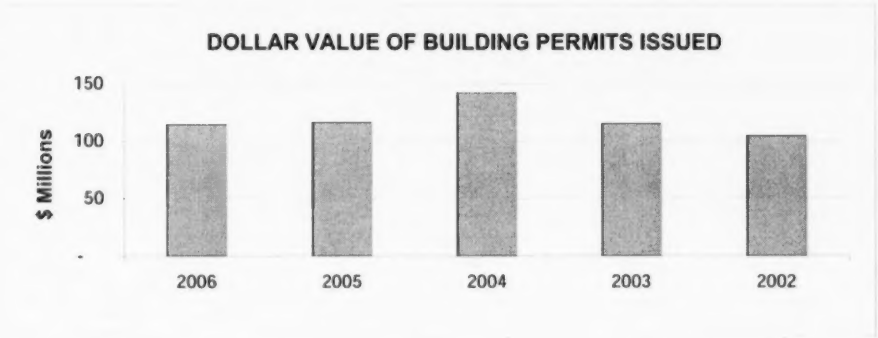
	2006 Budget	2006 Actual	2005	2004	2003	2002
Developers Levies	$ 829	$ 882	$ 1,456	$ 1,004	$ 734	$ 714
Proceeds from Sale of Assets	-	1,785	55	1,862	4,851	17
Other	-	929	206	308	366	154
Reserves	41,458	44,290	34,851	41,651	27,203	108,013
Operations	15,029	12,923	7,524	14,673	10,115	12,857
Debt - ACFA	(2,488)	(2,488)	(3,400)	(3,227)	(3,062)	(2,906)
TOTAL FINANCING	54,828	58,321	40,692	56,271	40,207	118,849
EXPENDITURES						
Engineering Structures	53,638	45,095	54,165	36,645	44,574	111,139
Buildings	-	-	-	10	18	(47)
Machinery and Equipment	740	582	344	390	292	211
Non-Asset Increasing	450	929	206	308	463	247
TOTAL EXPENDITURES	54,828	46,606	54,715	37,353	45,347	111,550
CHANGE IN CAPITAL FUND	$ -	$ 11,715	$ (14,023)	$ 18,918	$ (5,140)	$ 7,299

The above represents actual transactions before consolidation eliminations.

FINANCIAL AND STATISTICAL SCHEDULES (Unaudited)
FOR THE YEAR ENDED DECEMBER 31, 2002 - 2006

DEMOGRAPHICS AND OTHER INFORMATION





OTHER	2006	2005	2004	2003	2002
Area, Square Kilometres	112	112	112	112	112
Km of Wastewater Mains	387	379	371	361	349
Km of Water Mains	417	408	395	389	381
Km of Storm Drainage Mains	225	217	201	194	190

FINANCIAL AND STATISTICAL SCHEDULES (Unaudited)
Financial Comparison 1999 - 2006
Consolidated Balance Sheet
(In Thousands of Dollars)

Assets	**2006**	**2005**	**2004**	**2003**	**2002**	**2001**	**2000**	**1999**
Cash and Investments	$ 254,671	$ 195,815	$ 141,717	$ 101,079	$ 62,909	$ 81,849	$ 89,808	$ 40,355
Investment In Subsidiary	-	-	-	-	-	47,360	-	-
Advances to Subsidiary	17,958	18,978	20,448	21,270	31,009	11,515	-	-
Accounts Receivable (Net of Allowances)	46,308	39,449	33,192	26,630	31,748	21,536	35,059	19,188
Inventory for Consumption	9,881	8,422	9,275	8,739	8,889	8,296	10,097	9,533
Inventories for Resale	27,696	22,177	20,022	17,800	18,545	18,433	14,541	13,845
Deposits and Other Assets	1,761	3,222	2,308	1,291	1,164	959	538	1,856
Prepaid Expenses	1,152	1,068	934	615	771	6,688	1,205	-
Long Lived Asset - Retirement Obligation	21,795	19,403	19,828	13,760	5,875	-	-	-
Capital Assets	963,153	904,538	867,318	820,226	774,640	653,145	629,889	652,048
	$ 1,344,375	$ 1,213,072	$ 1,115,042	$ 1,011,410	$ 935,550	$ 849,781	$ 781,137	$ 736,825

Liabilities	**2006**	**2005**	**2004**	**2003**	**2002**	**2001**	**2000**	**1999**
Trade Accounts Payable	$ 23,183	$ 12,998	$ 17,908	$ 11,563	$ 16,786	$ 9,981	$ 12,077	$ 10,873
Accrued Liabilities	42,474	43,654	29,108	28,501	25,266	15,024	19,179	14,310
Short-Term Debt	-	-	-	-	9,984	19,809	-	-
Long-Term Debt	183,971	154,751	158,203	156,249	144,166	136,195	165,469	176,792
Loss In Subsidiary	7,310	8,086	9,798	9,978	8,092	-	-	
Other Long-Term Liabilities	54,002	44,539	39,285	29,604	19,093	15,664	13,657	10,588
	310,940	264,028	254,302	235,895	223,387	196,673	210,382	212,563
Equity								
Equity In Capital Assets	779,182	749,787	709,114	663,975	630,148	516,950	468,252	478,139
Fund Balances	254,253	199,257	151,626	111,540	82,015	136,158	102,503	46,123
	1,033,435	949,044	860,740	775,515	712,163	653,108	570,755	524,262
	$ 1,344,375	$ 1,213,072	$ 1,115,042	$ 1,011,410	$ 935,550	$ 849,781	$ 781,137	$ 736,825

NOTES:

- Effective 2004, the City adopted the new Canadian Institute of Chartered Accountant standards and guidelines for Asset Retirement Obligation, the Full Cost Accounting Guideline and Accounting for Future Benefits. These policies were adopted retroactive to 2002 and 2003. Information for 2001, 2000 and 1999 does not reflect these changes.

- Effective 2005, the financial information for the Medicine Hat Public Library was excluded from the Financial Statements, as they are not owned or controlled by the City of Medicine Hat. This change was restated retroactively for 2004, 2003, and 2002. Information for 2001, 2000 and 1999 does not reflect these changes.

FINANCIAL AND STATISTICAL SCHEDULES (Unaudited)
Financial Comparison 1999 - 2006
Operating Revenues and Expenditures
(In Thousands of Dollars)

Revenue From:	**2006**	**2005**	**2004**	**2003**	**2002**	**2001**	**2000**	**1999**
Taxes	$ 50,786	$ 46,217	$ 42,741	$ 41,270	$ 38,040	$ 35,370	$ 38,088	$ 35,650
Less - Requisitions	(21,383)	(20,574)	(19,973)	(18,733)	(17,650)	(16,006)	(18,831)	(18,516)
	29,403	25,643	22,768	22,537	20,390	19,364	19,257	17,134
Sale of Services								
General Government	6,998	6,029	5,632	5,220	5,177	4,674	4,194	3,576
Gas	143,133	161,387	129,817	129,178	96,188	112,707	101,268	47,646
Electric	72,057	55,856	58,399	53,687	47,778	74,475	93,036	66,573
Environmental Utilities	22,262	19,498	18,379	18,625	16,705	16,351	15,397	13,438
Land	19,184	17,165	22,081	16,203	15,050	11,183	5,748	8,280
Medicine Hat Public Library	-	-	-	-	-	87	94	111
Other Income	-	-	-	-	-	-	-	-
Investment Income	10,286	6,875	5,496	4,654	5,338	5,292	3,690	2,581
Investment (Loss) in Subsidiary	776	1,712	180	(1,886)	(8,485)	256	-	-
Licences, Fines and Penalties	5,714	5,482	4,804	3,713	3,570	3,186	2,742	2,421
Other	10,875	8,695	6,357	4,908	4,939	3,503	7,977	4,354
Senior Government Transfers	6,260	6,114	3,754	3,398	3,194	3,593	3,264	3,140
Surplus	-	-	-	8,517	-	-	1,991	8,706
	$ 326,948	$ 314,456	$ 277,667	$ 268,754	$ 209,844	$ 254,671	$ 258,658	$ 177,960

Spent On:	**2006**	**2005**	**2004**	**2003**	**2002**	**2001**	**2000**	**1999**
General Government	$ 71,161	$ 67,471	$ 62,737	$ 57,289	$ 54,182	$ 50,058	$ 45,977	$ 37,385
Gas	65,356	48,623	52,284	51,691	39,566	49,501	52,159	39,886
Electric	31,080	30,089	27,051	29,458	22,807	24,734	21,553	18,798
Environmental Utilities	12,318	14,364	12,124	11,264	10,056	10,270	9,766	10,964
Land	6,317	14,075	5,197	5,355	3,926	2,758	951	1,827
Medicine Hat Public Library	-	-	-	-	-	1,201	1,180	1,120
Capital Purchase and Debt	57,278	33,649	41,589	32,469	27,208	36,454	51,573	39,438
Transfer To Reserves	87,072	104,181	74,881	81,228	44,106	73,208	75,499	28,542
Surplus	(3,634)	2,004	1,804	-	7,993	6,487	-	-
	$ 326,948	$ 314,456	$ 277,667	$ 268,754	$ 209,844	$ 254,671	$ 258,658	$ 177,960

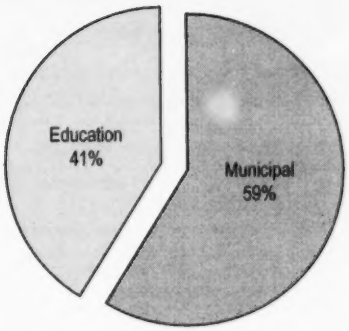
NOTES:

- Effective 2004, the City adopted the new Canadian Institute of Chartered Accountant standards and guidelines for Asset Retirement Obligation, the Full Cost Accounting Guideline and Accounting for Future Benefits. These policies were adopted retroactive to 2002 and 2003. Information for 2001, 2000 and 1999 does not reflect these changes.

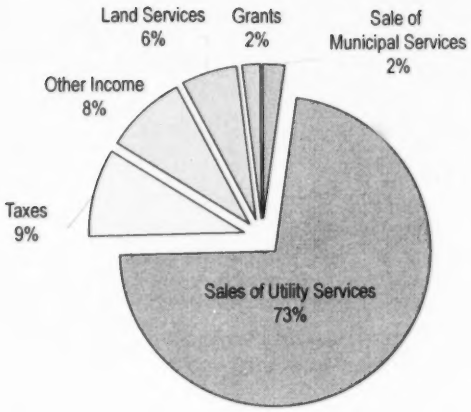
- Effective 2005, the financial information for the Medicine Hat Public Library was excluded from the Financial Statements, as they are not owned or controlled by the City of Medicine Hat. This change was restated retroactively for 2004, 2003, and 2002. Information for 2001, 2000 and 1999 does not reflect these changes.

FINANCIAL SYNOPSIS 2006
Operating Fund Activities

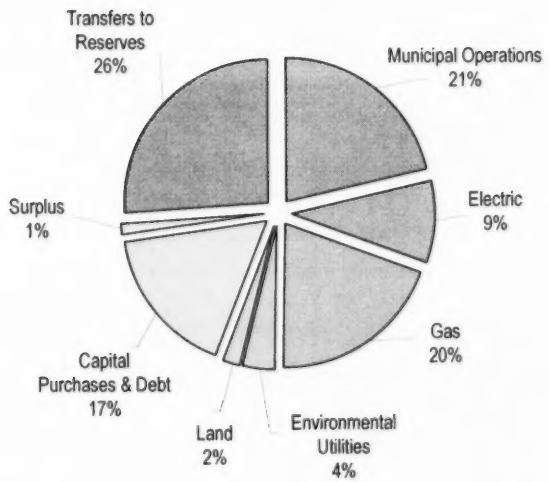
Where Our Tax Dollars Went In 2006
Education / Municipal
Property Tax



Where The Money Comes From
$326.9 Million



Where the Money Goes
$326.9 Million



Medicine Hat

100

Incorporated

1906 - 2006

Medicine Hat
The Gas City

For additional copies of the 2006 Annual Report
please call the Chief Administrative Officer
City of Medicine Hat
580 First Street S.E.
Medicine Hat, Alberta, Canada
T1A 8E6
Tel: (403) 529-8222
Fax: (403) 502-8041
www.medicinehat.ca

Thank you to all the employees and residents who had their
photographs taken for this document.

The 2006 City of Medicine Hat Annual Report was prepared and produced by the City of Medicine Hat
Finance and Corporate Communications departments.